

INTERNATIONAL

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Established 1887

Austria	12 S	Kyrgyzstan	Sh. 7
Belgium	20 B.F.	Laos	2,225
Denmark	3.50 D.K.	Luxembourg	20 L.F.
Egypt	2 P	Moldavia	2,200
France	20 F	Netherlands	1.50 D.
Germany	2.50 M.	Nigeria	20 N.
Greece	200 P	Portugal	20 P.
Great Britain	50 D.M.	Romania	20 R.
India	20 R.	Spain	20 S.
Indonesia	20 R.	Sweden	20 S.
Italy	20 L.	Switzerland	20 S.
Japan	100 Y.	Turkey	20 T.
South Korea	100 W.	U.S. Military (Per 1)	20 U.S.
Soviet Union	1.25 R.	Yugoslavia	20 Y.



President Carter uses field glasses to watch a firework demonstration during his visit to Fort Hood, Texas.

Games Trimmed After Outcry Over Cost

Army Stages a \$1-Million Show for Carter

By Terence Smith

FORT HOOD, Texas, June 25 (AP)—President Carter watched from a hillside yesterday as tanks, helicopter gunships and infantry units assaulted mock targets in a training maneuver that the Army put back by half after an outcry over its projected cost of \$2.1 million.

The brigade-sized exercise still consumed more than \$1 million worth of live ammunition and fuel, according to Maj. Bob Good, a public relations officer. "The valley in front of the president's reviewing stand all but disappeared in dust and smoke as more than 100 tanks and 75 armored personnel carriers pounded targets on a distant hill. They were supported by flights of A-4 fighter bombers.

The 90,000 rounds of tank and artillery ammunition and airborne missiles fired during the display made it the largest such demonstration since the Vietnam war. Maj. Good described it as "the closest approximation of aggressive real-life warfare we could stage without getting anyone killed." He said that the goal was "to show the president what his Army is all about."

Scenario Questioned
The controversy arose when some White House officials questioned the original scenario for an hour-long exercise that would have cost \$2.1 million. Last week, the Dallas Morning News ran a front-page article focusing on the cost. The Defense Department then directed that the exercise be cut back to 30 minutes.

Basic U.S. Decision
The Carter administration is believed to have made a fundamental decision to strengthen ties with China soon, partly because of growing concern—shared in Peking—about Soviet strategic activities around the world.

The president's national security adviser, Zbigniew Brzezinski, pointed out during a visit to China last month. Recently officials in Washington disclosed that the United States had decided to be sympathetic to Chinese wishes to buy modern military equipment in Western Europe.

The shift in mood in Washington, and open talk by Mr. Brzezinski about playing the "Chinese card" have provoked open displeasure here. In Washington, most of the anger has been directed against Soviet and Cuban military and political moves in Angola, Ethiopia and elsewhere in Africa.

Mr. Brzezinski did not talk about that today but emphasized Soviet moves at the recent UN special session on disarmament and at the long-stalled Vienna talks on force reductions in Central Europe.

Delay in Reporting Is Big Concern

Trio of A-Plant Mishaps Troubles Bonn

BONN, June 25 (AP)—Accidents have taken place at three nuclear power stations in West Germany in less than 10 days, and one of those incidents, in particular, is seriously troubling German officials.

Their concern is focused on an accident at the 800-megawatt nuclear power station in Brunnbüttel in northern Germany near the city of Kiel last week. In that accident small amounts of radioactive steam escaped into the atmosphere.

A parliamentary commission investigating the mishap disclosed Friday that technicians attempting to repair ruptured piping in the plant's reactor turbine underestimated the seriousness of the problem, and that the possibility of a much more dangerous leakage was averted only when the reactor shut down purely by chance.

What is just as troubling, however, is that the accident took place last Sunday and the public was not informed about it until Tuesday, and then only after the German press agency had received an anonymous telephone tip.

The plant is operated jointly by the Hamburg Electric Power Works and the North-West German Electric Works. A spokesman for the plant said later, "We were not aware of the urgency of telling the public."

Local officials in the state of Schleswig-Holstein acknowledge that they were not informed that the leak was radioactive until the next day. But that in turn has raised questions in Bonn about why the local government did not inform the local population sooner.

"The incident was a serious one," Bonn Research Ministry spokesman Bodo Baars said yesterday. "Not because it caused any damage," which apparently it did not, "but because of the way it started. Human factors played quite a role," a reference to the technical miscalculations.

"But what also concerns us is the way the public was informed, or more precisely the way the informing of the public was not carried out. That bothers us."

Moro Case Is Cited

CIA Refusals Reported To Foreign Bids for Aid

By Richard Burt

WASHINGTON, June 25 (AP)—The CIA reportedly has refused a request for aid to several foreign requests for help in dealing with terrorist actions, including the Aldo Moro kidnapping in Italy and the hijacking of a West German airliner.

According to government officials and members of the House and Senate Intelligence Committees, the CIA, in contrast to earlier practice, turned down a request from the Italian government for a psychiatrist trained in terrorist tactics and for sophisticated preoperating equipment to help deal with the members of the Red Brigades who kidnapped and killed Mr. Moro, the Christian Democratic leader.

Similarly, the agency was said to have delayed an answer to a West German request for technical assistance in freeing the 86 passengers and crew members aboard a Lufthansa airliner diverted last October to Somalia.

Several days after the initial incident, engineers at the nuclear power station at Biblis—the largest one in Europe—discovered a leak.

Second Incident
Several days after the initial incident, engineers at the nuclear power station at Biblis—the largest one in Europe—discovered a leak.



Daniel Bertoni of Argentina leaps over a Dutch player.

Urges Disarmament Response

Brezhnev Says U.S. Policy Is 'Shortsighted' on China

By Craig Whitney

MOSCOW, June 25 (AP)—Soviet President Leonid Brezhnev charged today that the Carter administration was pursuing "a shortsighted and dangerous policy" of trying "to play the 'Chinese card' against the Soviet Union."

"Its architects," he said, "may bitterly regret it."

In the Kremlin leader's first major public comment on the recent deterioration in Soviet-U.S. relations, he also accused the United States and other NATO countries of being uninterested in disarmament and called for a serious Western response to recent Soviet proposals to reduce forces in Central Europe.

Mr. Brezhnev spoke at a televised ceremony in Minsk, the capital of Byelorussia.

Much of his speech was devoted to domestic matters. But, saying "the international situation is deteriorating again," he charged that "attempts are being made lately in the U.S. at a higher level in a rather cynical form, to play the 'Chinese card' against the U.S.S.R."

U.S. troops and 1,000 nuclear weapons in return.

Mr. Brezhnev said today that both sides should carry out withdrawals "in such a way as to preserve their balance or, as they say, parity."

Pointedly, while he was accusing Washington of cynicism and heating up the arms race, Mr. Brezhnev had warm words for Washington's European allies—even quoting West German Chancellor Helmut Schmidt approvingly as saying that "there is much more mutual trust in Europe today than at any time in the past decades."

On West Bank, Gaza Transition

Israel Rejects Sadat's Proposal

By Christopher S. Wren

JERUSALEM, June 25 (AP)—Without waiting for formal notification, the Israeli Cabinet today rejected the latest peace formula being prepared by Egypt, under which the West Bank and the Gaza Strip would revert to Jordanian and Egyptian control, respectively, as part of a transition to eventual Palestinian self-rule.

Yesterday, Egyptian Foreign Minister Mohammed Ibrahim Kamel said that the plan would be handed to the United States this week. But the Israelis dismissed it on the basis of Cairo radio reports, according to the Cabinet's statement.

The plan, which President Anwar Sadat initially outlined in interviews last month, provides for the Jordanians and the Egyptians to resume jurisdiction over their former territories while they help work out security guarantees for Israel as well as some autonomy for the Palestinian population.

Aravah Naor, the secretary of the Israeli Cabinet, said today that the plan was rejected because it set preconditions for a renewal of negotiations, which have now been deadlocked for five months. Mr. Naor rejected the contention that Mr. Sadat was offering a counterproposal because "the significance is that if we don't accept it, the negotiations won't be resumed."

Mondale to Visit Egypt
Israel's brusque rejection of the formula followed Mr. Sadat's own criticism of the Israeli Cabinet's refusal to spell out its intentions for the future of the West Bank and the Gaza Strip. Mr. Sadat had called the Israeli attitude "elusive," and Mr. Kamel said yesterday that Egypt would advance its own plan, which the United States has urged it to do.

The reactions of both sides have effectively put the problem back in the lap of the Carter administration, which will shortly be resuming its intermediary role in the region. Vice President Mondale had already been scheduled to visit Israel later this week and will now stop over briefly in Egypt next week as well for a meeting with Mr. Sadat.



Rhodesian soldiers carry the body of one of the whites slain at the mission school.

Victims Include 4 Children

12 Whites Slain at Mission in Rhodesia

From Wire Dispatches
SALISBURY, Rhodesia, June 25 (AP)—Rhodesian church and political leaders expressed outrage today over the killings Friday by Rhodesian black nationalist guer-

rillas of eight British missionaries and four of their children at a mission school in the Vumba Mountains of southern Rhodesia.

Another woman missionary was dragged into the bush and assaulted. She was found yesterday morning and taken to a hospital in Umtali, where she was reported in serious condition.

The massacre took place after a group of about 20 guerillas went to the Emmanuel secondary school in the mist-shrouded and heavily wooded mountains 10 miles southeast of Umtali, on the eastern border of Rhodesia.

The Anglican bishop of Mashonaland, the Rt. Rev. Paul Burrough, declared that Britain should send troops to deal with the black nationalist guerillas.

Killings Deplorable
One of the three moderate black leaders in the transitional government, Bishop Abel Muzorewa, deplored "atrocities against children and defenseless people, whether they are white or black." He added: "I believe this sort of thing goes on all the time, except it seems to be more news if it is white people."

Another government leader, Chief Jeremiah Chirau, said: "These people are not freedom fighters, they are criminals."

The school is run by the Elim Mission, which belongs to the Pentecostal Church, based in Cheltenham, England, and is active in 10 countries, including four in Africa. It operates three missions in Rhodesia.

The killings were the latest in a series of attacks on mission stations throughout the country that have left a total of 33 missionaries and members of their families dead. It appears that the main objective of the guerillas is to close the schools as part of a campaign to break down government control over the rural population. Many missionaries believe, however, that the guerillas are seeking to undermine Christian influence in the country.

Other Slayings

Several years ago, guerillas killed seven Roman Catholic missionaries 35 miles northeast of Salisbury. More recently, two Salvation Army members were killed in southwestern Rhodesia and a U.S. Baptist missionary, Archie Dunaway, was stabbed to death at his mission at Sanyati, 100 miles west of Salisbury.

The massacre Friday was the latest in a recent wave of attacks that have been mostly against black civilians. In one incident, at least 52 Africans were killed in a cross-

(Continued on Page 2, Col. 7)

Police School Is Hit By Argentine Bomb

BUENOS AIRES, June 25 (UPI)—A bomb exploded in the Gen. Cesario Rosario police training school here today, police said.

The bomb was of "medium power" and caused material damage, but there were no immediate reports of injuries, according to the local news agency, Noticias Argentina.

Since the start of the World Soccer Cup on June 1, there have been several reports of bomb explosions but none was known to have caused injuries or death.

Including 4 Americans

Israel Ousts 8 Professors From Bir Zeit

By William Claiborne

BIR ZEIT, Israeli-occupied Jordan, June 25 (WP) — The Israeli government has told eight foreign professors, including four Americans, that they will not be allowed to continue teaching at Bir Zeit University, a Palestinian Arab institution that has been the scene of frequent political protests.

Moreover, eight Israeli Arab faculty members are said to have been told by the military government that they cannot travel to the West Bank to teach at Bir Zeit, which is, in effect, a Palestinian national college.

The acting university president, Gahi Baramki, charged that the Israeli actions amount to expulsion from Israel, and are part of a systematic attempt to ruin the university.

A day after first refusing to comment on the Bir Zeit allegations, the occupation government told reporters that it has no intention of denying work permits to visiting foreign professors at Bir Zeit nor any intention of causing harm to the university. A military government official told reporters that the status of all temporary residents, including correspondents, are subject to periodic review by authorities.

And that the Bir Zeit professors were not the object of harassment or intimidation.

Doubts on Denial

One of the eight, Nafez Nazzal, who is Palestinian-born but holds a U.S. passport, said that he did not trust the military government's denial. "I would hope they were reversing a lower-level decision," he said, "but I suspect they are playing games with us."

Bir Zeit has been closed by the military government during past demonstrations against Israeli occupation, and its president, Hana Nasir, was expelled from Israel in November, 1974, during demonstrations precipitated by the appearance of Yasser Arafat, leader of the Palestine Liberation Organization, at the United Nations.

Many Israelis regard Bir Zeit as a center of political dissension. Three of the four U.S. professors were told in April that they would have to leave Israel immediately, although no reason was given. Mr. Baramki said. He said that the military government's office later reversed itself and permitted the Americans and four other foreign professors to remain until July 7, when the semester ends.

The other professors include a British citizen, a Canadian, a Palestinian with U.S. and Jordanian passports, and a Palestinian with U.S. and Israeli passports.

No Pattern Seen

Mr. Baramki said that none of the eight had been especially active in Palestinian-political causes, and that he could detect no pattern to the work-permit refusals, which he said will not allow them to remain in Israel unless they stay as non-working tourists.

The work permit controversy is the latest in a series of clashes between the faculty and students and the military authority in the West Bank. Prof. Tahir Aruri recently was released after spending 44 months in prison on administrative detention without being charged.

Jewish university administrators complained that Bir Zeit, unlike Jewish universities in Israel, is required to pay duty on the equipment and textbooks it imports, and that faculty members who try to travel to Amman over the Allenby Bridge often are turned back. Moreover, they said, students and faculty members often are summoned from classrooms and interrogated by the military government.

Pan Am Adds to Flights

BOSTON, June 25 (UPI) — Pan American World Airways will add more planes for its cheap Boston-to-Amsterdam flights. The company said an extra plane will be added tomorrow and possibly a second one Wednesday. The flights — \$39 one way and \$149 roundtrip — will be offered until July 14. After that, the cost of a roundtrip ticket will cost \$279.

CIA Refusals Reported To Foreign Bids for Aid

(Continued from Page 1) given a higher priority in intelligence policy to terrorism, and specialists report that the agency has stepped up programs for exchanging information with friendly governments to ease the problem. But, they say, the agency has avoided a direct role in such cases as the request by West Germany. The specialists said that while a reply to the request for aid in Mogadishu was delayed in Washington, a West German commando unit, benefiting from British assistance, successfully stormed the airliner and freed the hostages.

Psychiatrist Was Sent

In the case of the Moro kidnapping, the requested surveillance equipment was not provided, but the State Department did make available a psychiatrist trained to deal with terrorists.

Officials said a major factor in the CIA's decision to turn down the Italian request was the 1974 Hughes-Ryan Amendment, which says that no covert action can be



Nadia Mantovani, right, smiles and embraces her sister.

24-Year Sentence

2 Red Brigades Members Convicted in Italy Trials

ALESSANDRIA, Italy, June 25 (UPI) — A criminal court has convicted two Red Brigades members Massimo Maraschi of murder, attempted murder and kidnapping and has sentenced him to 24 years in prison.

In another trial, in Milan, the jury convicted suspected Red Brigades member Pietro Villa, 25, of membership in a subversive organization, robbery and sabotage. He was sentenced to five years in jail.

The two convictions came Saturday, a day after a jury in Turin convicted 30 Red Brigades leaders on a series of kidnapping, sabotage and robbery charges and sentenced them to a total of 210 years in jail.

Among the Turin defendants was Red Brigades founder Renato Curcio, 37, who drew a 15-year prison sentence.

Released From Prison

Another of the Turin defendants, Nadia Mantovani, who was sentenced to a five-year term, was released yesterday because she had already served the required time.

Maraschi had been charged with the kidnapping of industrialist Valerio Gancia, the killing of policeman Giovanni D'Alfonso and the attempted killing of three other policemen.

The Maraschi jury took only three and a half hours to return its verdict.

During his trial, Villa denied being a member of the Red Brigades.

gades. At the time of his arrest a year ago, police said they found Red Brigades documents and apparent plans for sabotage operations in his apartment.

The Red Brigades, founded by Curcio in 1969, is the gang that killed former Premier Aldo Moro last month and which has claimed responsibility for a series of kidnappings, murders, sabotage and bombing attacks over the past eight years.

\$750 Million for Development

Russia to Aid Abkhazia After Secession Threats

MOSCOW, June 25 (NYT) — Soviet authorities have announced an extensive regional development plan for Abkhazia, a part of the Caucasian Republic of Georgia — but only after the Abkhazians threatened to secede from Georgia, and applied to join the Russian federation instead. The development plan reportedly will cost \$750 million.

The unusual episode indicates that the problem of nationalities in the bugly diverse Soviet Union is much more complex than the common perception of it in the West as a growing minority resentment against Russian domination.

The Abkhazians are a minority within a minority. About 33,000 of them live among the 503,000 persons of the so-called Abkhaz Autonomous Soviet Socialist Republic, an administrative part of Soviet Georgia.

The Georgians themselves have often been fiercely resentful of Russian domination. On April 14, 5,000 of them demonstrated in Tbilisi, the capital, against a plan to drop Georgian as their official state language.

While the Georgians were demonstrating against the Russians, the Abkhazians were meeting in their capital of Sukhumi to demand freedom from the Georgian yoke.

Purges Reported

The Abkhazians' secessionist feelings, and their handling by local Communist Party officials, have led to reprisals, purges and personal changes that were reported, although quietly, in Georgian newspapers. But most important, they have led the Kremlin to appropriate a reported \$750 million to develop industrial complexes, build a university in Sukhumi, expand agriculture and improve road, rail and air transportation in Abkhazia, projects that are to begin this year.

The plans were disclosed June 7 in Zarya Vostoka, the official Communist Party paper of Georgia, but

Southern Yemen Reportedly Blamed

Yemen President Assassinated

BEIRUT, June 25 (UPI) — The president of Yemen was assassinated yesterday by a parcel that exploded when he opened it, the Iraqi news agency said. It was the second assassination of a Yemeni chief of state in eight months.

According to the Iraqi report, the Yemeni president, Lt. Col. Ahmed al-Ghashimi, 39, was killed when a parcel sent by Southern Yemen President Salem Rubaya Ali exploded.

Yemen, a conservative state with close ties to Saudi Arabia, promptly severed diplomatic relations with Southern Yemen, the report said.

The Yemeni military command, in a statement carried by the Egyptian news agency, said "the culprit in this heinous crime," apparently a reference to the parcel, was brought to the Yemeni capital from Southern Yemen by a special plane and received by a special presidential representative. The unidentified Southern Yemen envoy who carried the package to Lt. Col. al-Ghashimi was also killed, the Iraqi report said.



Lt. Col. Ahmed al-Ghashimi

tary command council that Lt. Col. al-Ghashimi had headed as president reportedly met with the Cabinet. The Iraqi dispatch announced that a "presidential council for the

republic has been formed to undertake the tasks of the president of the republic."

Council 'Provisional'

The Egyptian report quoted Radio Sanaa as saying that the council was provisional and chaired by Qadi Abdul Karim al-Arshi.

The agency listed other members of the council as Prime Minister Abdul Aziz Abdul Ghani, Lt. Col. Ali al-Sheba, who was also named commander-in-chief of the armed forces, and Maj. Ali Abdulla Saleh as chief of the general staff.

The council immediately ordered a 40-day mourning period.

The Iraqi agency said Qadi al-Arshi had been named president of the council to head a "constituent people council."

Lt. Col. Ghashimi had been commander-in-chief of the armed forces in capacity as head of a ruling military command council. Lt. Col. al-Sheba had been his deputy.

Guerrillas Slay 12 Whites At Mission in Rhodesia

(Continued from Page 1)

Robert Mugabe, co-leader of the guerrilla Patriotic Front, said in a statement issued in the Mozambican capital of Maputo that "we are not responsible" for the mission attack. He blamed Rhodesian government forces for the killings.

This is a continuation of the persecution and harassment of the missionaries by the new transitional government, he said.

Western correspondents who went to the site of the massacre yesterday found the blood-covered bodies of the 12 victims still sprawled on the grass around the school's sports pavilion, a short distance from the main building.

3 Couples Slain

There were three couples, two single women, three children and a baby. An entire family with two children was wiped out. All of the victims had been either clubbed, axed or bayoneted to death after the guerrillas had given a political talk to the 260 pupils attending Emmanuel school.

Several students said that the guerrillas had arrived at the school shortly after 8 p.m. and ordered all of them to assemble outside the main school building. Speaking in both English and Shona, the main African language in Rhodesia, six of the guerrillas told the students that they were to clear out no later than tomorrow morning and return to their homes.

None of the European missionary teachers was present at the meeting, although several of the African ones attended and were left unharmed by the guerrillas.

"We were afraid, but I didn't understand what they were saying,"

Filipinos Picket

U.S. Embassy

MANILA, June 25 (UPI) — About 200 persons picketed the U.S. Embassy yesterday to protest an incident earlier this month in which two New York policemen entered a Philippine diplomatic mission. There were no incidents and no arrests reported during the two-hour demonstration.

Luis Taruc, leader of the demonstration and a member of the inter-legislature, said that he had informed President Ferdinand Marcos of the protest and that Mr. Marcos had told him "so long as it is peaceful you don't have to tell me about it."

The Philippine government sent a protest note to the U.S. State Department after the New York incident and the State Department expressed regret. But Philippine Foreign Secretary Carlos Romulo said that the U.S. government has not apologized and that his government is considering filing criminal charges against the police.

cept that we had to be gone Monday," a student said. He said that they were not aware that the European teachers were to be killed.

It appears that there were no witnesses to the actual killings. One missionary escaped, but was rounded up by the guerrillas, he refused to talk to reporters.

Windows to Continue

LONDON, June 25 (UPI) — The Petrosburg Church said today that it would continue to send missionaries to Rhodesia despite slayings on Friday.

The decision came from a church's headquarters at Cheltenham, England, where an emergency meeting was held following U.S. deaths school in Rhodesia.

Chinese Army May Restore Ranks System

BEIJING, June 25 (AP) — The 3.5 million-member Chinese Army is planning to reinstate ranks, abolished in 1965 when Li Piao was defense minister, a Yugoslav report from Peking said.

The only visible difference between officers and soldiers in the Chinese Army now is that officers have four pockets on their coats and soldiers have only two.

The correspondent of the Beijing grade daily Jijinhua, quoting reliable Chinese sources, said that the return to ranks might take place as soon as September.

The article said that details were distributed to all army units for discussion and eventual suggestion. The re-introduction of ranks, said, could be understood both as measure intended to promote discipline and as a sign of modernization.

Sadat Removes 2 Hero Generals

CAIRO, June 25 (AP) — President Anwar Sadat ordered change in the Egyptian military high command yesterday, including replacement of two front-line heroes of the 1973 war with Israel, the Middle East News Agency reported.

The agency said that Maj. Gen. Youssef Afifi replaced Maj. Gen. Ahmed Badawi as commander of the Third Army and Maj. Gen. Abd Rab Naby Hafiz replaced Maj. Gen. Fuad-Aziz Ghali as commander of the Second Army.

Gen. Ghali was a brigade commander during the 1973 fighting. His units occupied the shattered town of Kantara, east of the formerly Israeli-held side of the canal. Gen. Badawi, also a brigade commander, directed the canal crossing in the south.

Chinese Weapons-Buyers Tour Europe

PARIS, June 25 (AP) — Chinese envoys in gray Mao suits are seen moving around Western Europe more and more these days on "shopping expeditions" for the newest missiles, jets and tanks to modernize their outdated army.

To date, as far as is known, no contracts have been signed. The arms-seeking tours coincide with a pledge by the Chinese leaders to bring China up to the level of other major industrial powers by the year 2000. The expeditions also reflect China's suspicion of its neighbor, the Soviet Union.

"China intends to buy weapons in Europe if they are of a technologically advanced level and the European countries are willing to sell to us," Deputy Foreign Minister Yu Tsian told an Italian correspondent visiting China recently.

The Chinese posture on Western arms reverses a position from the Cultural Revolution under Mao Tse-tung, which held that Western arms should not be imported, but that arms should be produced at home.

U.S. Will Not Sell

The United States is resolved not to sell weapons to China, in part for fear of antagonizing the Soviet Union. But Washington appears to have concluded that arms sales by its European allies make good sense to improve relations with Peking.

The Chinese are inspecting military and other high-technology goods in a number of Europe's weapon-producing nations, including France, Britain, Sweden, Switzerland, Belgium and West Germany.

France and Britain, which have sold military

equipment to Peking in the past, have emerged as the most eager and best qualified for major sales, European experts say.

Wu Shu-chuan, Chinese deputy chief of staff, reportedly told a group of Japanese military specialists last month that China has agreed to buy "a certain number" of French anti-tank missiles.

French Missiles

The Chinese also are negotiating for possible purchase of France's short-range tactical Milan missiles, as well as for Mirage fighter-bombers and AMX-30 tanks, the experts report.

French officials routinely refuse to discuss prospective arms sales, even with friendly diplomats, and in the world of arms deals the rule generally is "don't talk about it."

But Olivier Stirm, France's secretary of state for foreign affairs, told the Western European Union this week that Paris wants to do business with China "in all fields."

The missile sales are believed to have been included in discussions in Paris earlier this month with a Chinese military team headed by Gen. Chang Ai-ping, deputy chief of the Chinese Army's general staff and president of the Chinese Scientific and Technical Commission for National Defense.

Britain hopes to win a large contract from China for Harrier jump-jets. These are planes designed for short takeoffs and landings, and are particularly suited to the undeveloped territory along China's border with the Soviet Union.

Reports in London say that preliminary talks

are under way for purchase of 30 to 40 Harrier and the right to manufacture the planes later. China's own factories. In addition, informants British officials say discussions are reaching an advanced stage on possible sale of British dies engines for Chinese warships.

In 1975, Britain sold China \$200 million worth of Rolls-Royce Spey jet engines, similar to those in the British adaptation of the U. Phantom. The Chinese are using them to modernize their own Russian-designed MIG jets.

A Chinese military exhibition this month will show a British Army exhibition of anti-tank, air aircraft and other weapons. Another Chinese arms shopping team is scheduled to visit Britain's annual military aviation show at Farnborough in September.

Approval Needed

Any sales to China have to be approved by Cocom, an international coordinating committee that includes members of the Atlantic Alliance and Japan. Its function is to screen transfers to Communist nations. But Europe experts believe any sales would win endorsement.

"We have gained indications from Washington that the Americans would be glad to see European allies go ahead with arms sales to China," said a British proponent of such sales.

The Carter administration is itself reviewing U.S. policy on sales to China of military-related equipment such as large computers and communications gear. A recent report from Washington said the United States has agreed to China airborne equipment for geological exploration that it refuses to sell the Soviet Union because of potential military applications.

The more you know about Scotch, the more you like Ballantine's.



Ballantine's
Superb Scotch Whisky

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WEATHER

ALGIERE	13	5	showers	MADRID	20	4	fair
AMSTERDAM	12	7	fair	MIAMI	24	7	cloudy
ANKARA	20	27	fair	MILAN	22	7	cloudy
ATHENS	20	27	fair	MONTREAL	18	4	fair
BEIRUT	25	31	fair	MOSCOW	26	28	fair
BELGRADE	27	31	fair	MUNICH	11	5	overcast
BERLIN	16	21	showers	NEW YORK	26	28	fair
BRUSSELS	14	20	cloudy	NICE	22	7	fair
BUCAREST	20	24	fair	OSLO	17	4	rain
BUDAPEST	21	27	fair	PARIS	15	19	cloudy
CASABLANCA	21	27	cloudy	PRAGUE	15	19	showers
COPENHAGEN	14	21	fair	ROME	25	27	fair
COSTA DEL SOL	20	24	fair	SOFIA	28	32	fair
DUBLIN	13	18	overcast	STOCKHOLM	21	7	cloudy
EDINBURGH	14	19	overcast	TEHRAN	30	31	fair
FLORENCE	20	24	overcast	TEL AVIV	28	30	fair
FRANKFURT	14	19	overcast	TUNIS	29	31	fair
GENEVA	14	19	showers	VIENNA	28	30	overcast
HELSINKI	22	27	cloudy	WARSAW	15	19	cloudy
ISTANBUL	20	24	fair	WASHINGTON	28	32	fair
LAS PALMAS	20	24	fair	ZURICH	12	15	cloudy
LISBON	20	24	fair				
LONDON	14	19	cloudy				
LOS ANGELES	20	24	fair				

(Yesterday's readings U.S. and Canada at 1700 GMT; all others at 1200 GMT.)

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Congressman Drafting Alternate Tax Plan

Overseas Pay Exclusion to Be Proposed

By Robert C. Siner
WASHINGTON, June 25 (UPI) — A proposal to substitute a split-level income exclusion for U.S. citizens overseas for the combined exclusion and special deductions agreed on by a House subcommittee is being drafted by Rep. Richard Schulze, R-Pa.

The proposal would replace the Section 911 (foreign income) provisions of the Tax Reform Act of 1976. U.S. citizens living in Western Europe and Canada would be allowed an exclusion of \$10,000; those living in other areas of the world, \$50,000, according to a Schulze aide.

These exclusions would be "off the top," thereby eliminating a pro-

vision of the Tax Reform Act that would tax earnings in excess of the excluded amount at the higher rates that would apply if the exclusion were not made.

Eliminates Deductions
The Schulze proposal also would include more liberalized moving expenses and additional time for tax-free reinvestment of the proceeds

from sale of a principal residence, provisions agreed on by the House Ways and Means subcommittee on June 6. But it would wipe out the special deductions for education, cost-of-living, housing, rest and recreation, home leave and others proposed by the subcommittee.

A spokesman for Rep. Schulze Friday said that the congressman agreed with his subcommittee colleagues that "something must be done for U.S. citizens abroad and is not opposing the panel's original idea. However, the aide said, Rep. Schulze felt that the numerous deductions in the panel's plan might be too complicated for taxpayers without degrees in law and accounting and wanted his plan considered because it is simpler.

In May, the subcommittee had been ordered by Ways and Means Committee Chairman Al Ullman, D-Ore., to come up with a bill revising the foreign income provisions of the Tax Reform Act to present to the House and ultimately take to conference with the Senate. The Senate adopted its own version of the revision, including special deductions for housing, education and cost-of-living.

Final Language

The subcommittee agreed on the basic provisions of a bill two weeks ago and met today and will meet again next Tuesday to work out the final language.

After the final language is completed, the measure will be brought before the full Ways and Means Committee soon after Congress returns from its July 4 holiday break on July 9. The bill then will go to the House and if approved, to conference with the Senate.

Supporters hope to complete congressional action on the bill by August 15, the extended deadline for income tax returns for U.S. citizens overseas.

But it is considered unlikely that the subcommittee would reconsider and replace its own measure with the Schulze proposal.

Cambodia Links Vietnam, CIA To Rebel Plot

BANGKOK, June 25 (AP) — Cambodia said today it had smashed a recent plot by Vietnam and the U.S. Central Intelligence Agency to topple the government in Phnom Penh, according to an official radio broadcast from the Cambodian capital.

The report named six leaders of the Vietnamese Communist Party who reportedly directed the plot but it did not specify the alleged involvement of the CIA.

Western analysts have long speculated Vietnam would step up its aid of dissidents in Cambodia's eastern border area, avoiding direct military intervention that could bring Cambodia's ally, China, into direct conflict with Hanoi, China-Vietnam relations already are strained over the issue of Chinese repatriation.

Western and Thai intelligence sources as well as Cambodian refugees here have reported purges in the Cambodian army and administration following abortive attempts at rebellion against the ultra-revolutionary regime of Premier Pol Pot. The sources say the dissidents were often labeled "Vietnamese lackeys" before being executed.

Brown Advises Gradual Effort, No Arms 'Panic'

SAN FRANCISCO, June 25 (AP) — Defense Secretary Harold Brown cautioned against rushed increases in U.S. military spending to counter Soviet military growth.

The United States should be concerned and prudent, Mr. Brown said in a speech prepared for the Commonwealth Club of California, "but we should not be panicked."

If resources were managed properly, the country did not need to "out-spend the Soviets by a large margin in order to assure our security."

He said that the aim should be to "out-think, out-design and out-perform" the Soviet Union, using resources already available and "the steady increases we are requesting."

The military capacity of the Soviet Union and its allies was far from unlimited, Mr. Brown said. "The Soviets cannot be powerful everywhere at once, any more than we can."

8 Die as Bridge Falls Into River

SAN SEBASTIAN, Spain, June 25 (AP) — The bodies of eight persons were picked up by rescue teams today two hours after a bridge over the Urumea River collapsed at Hernani, a town near here, police said.

Five other persons were taken to hospital for medical treatment after the accident.

Police said rescue teams were searching for more persons among the debris of the bridge and the river waters. They said about 50 persons were on the bridge watching a boat race when it collapsed.

Bobby Locke, at the Engadine Golf Club.

BADRUTT'S PALACE HOTEL ST. MORITZ Season until early September.

Nazis Pelted, Jeered At Small Chicago Rally



Egg splatters off a shield protecting Nazi Frank Collin.

CHICAGO, June 25 (AP) — Nazi leader Frank Collin and about 15 of his followers, holding a small demonstration in the plaza of Chicago's federal building complex, were greeted with a shower of rocks and eggs yesterday from thousands of counterdemonstrators.

The police kept the crowd and the Nazis separated. Mr. Collin, who, like his band, was dressed in full Nazi regalia, was ringed by followers carrying quarter-inch plywood shields.

A few injuries were reported. All were believed to be minor. The police said that 14 persons were arrested. Nine were identified as members of the militant Jewish Defense League. They were charged with disorderly conduct.

As Mr. Collin and members of his National Socialist Party of America emerged from the federal building under heavy police guard, shouts of "Death, Death, Death to the Nazis," came from the crowd, which had begun forming about two hours earlier.

Mr. Collin shouted through a megaphone, "You will end up as fertilizer. You will fertilize the farms of my people in the future." But his words were drowned out by the crowd, which continued to chant anti-Nazi epithets.

Mr. Collin challenged the crowd to meet him July 9 during his scheduled rally in Chicago's Marquette Park "if they had the guts."

The Nazis had scheduled yesterday's demonstration as a warm-up for a planned march today through the predominantly Jewish suburb of Skokie, where more than 4,000 survivors of World War II Nazi death camps live.

But the Skokie march was cancelled by Mr. Collin after a federal judge issued the July 9 Marquette Park permit.

Claiming to Be Biggest Demonstration

U.S. Nuclear Foes Assemble Near Seaside Plant Site

SEABROOK, N.H., June 25 (AP) — More than 6,000 demonstrators braved heat, flies and piles of garbage to crowd onto an 18-acre former town dump adjacent to the Seabrook nuclear power plant for a weekend rally against nuclear energy.

Soon after members of the Clamshell Alliance and their sympathiz-

ers entered the site south of Portsmouth, a tent city had been erected with a stage for concerts and speeches. Exhibits were set up promoting alternative energy forms. Demonstrators baked bread in a solar oven and sold T-shirts displaying a variety of anti-nuclear slogans.

Clamshell leaders claim that the

3-day anti-nuclear demonstration will be the biggest of its kind in the nation's history. The demonstration area, once the town dump, is separated from the seaside plant construction area by a chain-link fence patrolled by about 250 policemen.

A crowd debated hotly yesterday whether to abide by an agreement

between protesters and authorities, which promised that there would be no mass arrests if demonstrators stayed on the 18-acre site and left by 3 p.m. tomorrow.

Persons opposed to the agreement, some saying that they came from as far away as California, complained that they had not traveled long distances to "spend a weekend baking bread by the sun and listening to rock music," as one of them put it.

Simmering Sun

The alliance is an umbrella organization for 50 anti-nuclear groups. It takes its name from claims that it maintains will be killed by hot water released by the Seabrook plant.

About 4,000 protesters simmered in the sun while listening to musicians Pete Seeger and Jackson Brown poke fun at New Hampshire's Republican governor, Meldrim Thomson, to the melody of a popular folk song.

At a late afternoon press briefing, Gov. Thomson said he was pleased that the demonstration had been peaceful. "Let me assure you that the state is not going to back off one iota in seeing that our laws are obeyed," he also said.

Across a marsh from the camp site, a flotilla of boats picketed an offshore drilling rig used for construction of cooling tunnels for the plant. Gov. Thomson said that work proceeded as usual Saturday at the nuclear site.

Trio of A-Plant Mishaps Troubles Bonn

(Continued from Page 1)

age of radioactive water in the reactor block when fuel elements were being removed for a routine inspection. The leak, however, was not dangerous, a spokesman said, because it was contained within the station by a shielding wall 1.8 meters (6 feet) thick.

On Friday, it was reported that a bulldozer had inadvertently severed an underground drainage pipe leading from an experimental marine reactor facility at Geesthacht. The water moving through the pipe was not highly radioactive reactor waste water, but water used for cleaning purposes inside the plant.

Nevertheless, about 2,000 gallons of this water, which a report said was radioactively "weak" and not dangerous, seeped into the Elbe River before workmen realized that the pipe was broken.

The marine plant is located in the same state as the Brunswickel

reactor, and this second incident, while apparently not serious, has increased tension among local residents.

Ironically, it is Schleswig-Holstein and the neighboring state of Lower Saxony where environmentalists opposed to nuclear power

Manila Cracks Down On Off-Duty Arms

MANILA, June 25 (Reuters) — Police and soldiers who carry firearms off-duty will be liable to death by firing squad, the Philippines defense minister said today.

He issued the instructions after the arrest in recent weeks of 60 officers and enlisted men found carrying service revolvers, particularly in bars and nightclubs. Offenders will be dismissed and charged with illegal possession of firearms, a crime punishable by death.

Belgian Explosion Denied

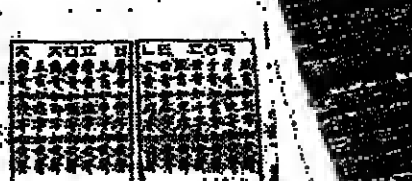
HUY, Belgium, June 25 (AP) — The director of Tihange nuclear power plant in southern Belgium denied today that any explosion had taken place at the facility, although he admitted there was a leak in a circuit that still had not been repaired.

An environment protection group said yesterday that a plug of special resins being injected into a crack that developed in the primary circuit pressurization system had exploded, and that several workers suffered a state of shock after the blast.

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KOREAN AIR LINES



Bonn Advances A Firm Line In U.S. Talks

BONN, June 25 (UPI) — Chancellor Helmut Schmidt sent his economics minister to Washington today to complete the groundwork for next month's 7-nation economic summit meeting here.

Count Otto Lambdordoff will spend most of the week explaining why Mr. Schmidt still considers that U.S. action to reduce oil imports should "precede economic pump-priming steps by the West German government."

Finance Minister Hans Matthöfer listed "stability of the U.S. dollar" first among the items that he told U.S. reporters last week should be on the summit agenda.

Mr. Schmidt, Count Lambdordoff and Mr. Matthöfer all say that such stability can be assured only if President Carter takes action to reduce the U.S. trade deficit with the oil-producing countries and Japan.

Mr. Matthöfer listed other items on the summit agenda as stabilization of currency relationships, measures to overcome protectionism, and West Germany's growth rate, "at that order."

SPECIAL SALE 40% OFF SWEATERS BAZAAR

Salonika, Greece, June 25 (UPI) — Authorities today called on engineers of this northern region to join crews of specialists checking buildings damaged in last week's earthquake that killed 49 people.

Police said two aftershocks were felt in the city during the morning hours. Seismologists said that they measured less than four on the Richter scale.

Chavez, Wife Convicted on Picketing Issue

YUMA, Ariz., June 25 (AP) — United Farm Workers leader Cesar Chavez and his wife Helen were convicted Friday of violating an injunction against UFW picketing at melon fields near the southwestern Arizona city.

A superior court judge placed the couple on probation for six months. They were arrested on June 13 and spent a night in the county jail.

Mr. Chavez said he would appeal. In an interview after the conviction, he said that the union would "continue to press our rights to organize the farm workers of Arizona." No further picketing of melon growers was planned for now, because the crop had been harvested.

The judge ruled that the picketing violated Arizona's right-to-work law. Mr. Chavez argued that the no-picketing injunction was unconstitutional. "We do not have the right to picket in Yuma County," he asserted.

Carter Criticizes Congress on Aid

WASHINGTON, June 25 (UPI) — President Carter today criticized Congress' stance on foreign aid, maintaining that it is "not compatible with the American character," and causes embarrassment abroad.

While teaching a Bible class at the First Baptist Church of Washington, Mr. Carter referred to a foreign policy session that he had with 80 congressmen last Tuesday. "The strongest condemnation I gave to Congress was their attitude on foreign aid," he said.

The president complained that "ordinarily stalwart, courageous members of Congress, when they are put under the slightest bit of pressure, will vote against foreign aid."

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Marty Peterson: A Shadow in the World of Espionage

By Myra MacPherson

WASHINGTON (UPI) — She is among the little-noticed persons who live in Washington — squirreled away in apartments and houses, often in suburbs. Friendly, but not too friendly, liked by the neighbors, but not really known. Some-

one who comes and goes for years. And then, suddenly, the morning newspaper arrives and there she is, staring stoically out of a front page, looking not at all like a next-door neighbor.

Now, a year later, the Russians

have charged her with transporting poison used to kill an unidentified person while she was in Moscow last summer. She was not the Foreign Service officer whom she said she was. Official Washington sources confirm: She was a CIA agent, Martha (Marty) Peterson. A mystery woman. It was, as they say in the trade, an extremely good cover.

In about two dozen interviews with persons who knew Mrs. Peterson, 33, in Russia and in her middle-class suburban neighborhood in Virginia, five miles from CIA headquarters, there was surprise over her second life.

"One of the great exercises while in Moscow was to try to find out who were CIA among the FSOs [Foreign Service Officers]," an American living in Moscow said. "I can't recall anyone who ever even imagined Marty, which makes me think now, 'Boy, she must have been a good one.'"

A neighbor in Falls Church, Va., whose garden court townhouse faced Mrs. Peterson's, said: "I just couldn't believe it. That picture doesn't look anything like her."

Warmly Described

There was nothing covert about her personality — the adjectives used to describe her were: whole, outgoing, all-American, good-natured, ladylike, vivacious, friendly. The kind, a Moscow co-worker said, "who could get excited about a checker game." She was the kind who played a piano-organ combination at parties, waved hello in the embassy snack bar to persons whom she had met but once, offered Falls Church neighbors rides home from the grocery store; the neighbor who sunbathed on her balcony and asked the teen-ager to cut the lawn.

She was about 5 feet, 7 inches, tall, not fat but hefty, and had frosted-blond hair. Glamorous when she dressed up. Athletic. A green belt in Tae Kwon-do, a Korean martial art. Referred to herself as "Mrs. Peterson."

Then came the stunning realization to these persons that they knew virtually nothing concrete about this woman whom they so affectionately described. Not where she went to school, the name of her parents, where she grew up, her maiden name, what she did before she went to Moscow.

Widowed in 1973

There was one thing — mentioned by nearly everyone, even those who said "I barely know her at all." It was the death of her husband, a Navy pilot who was killed in Laos in 1973.

A computer check of Department of Defense casualties revealed no Navy pilot by the name of Peterson, nor anyone by that name in any other branch who was killed in Southeast Asia. The Pentagon was checking its files to confirm preliminary indications that her husband was the John Peterson who served in the Army Special Forces from 1967 to 1969.

The alleged episode of Mrs. Peterson's cloak-and-dagger espionage was generally viewed as a retaliation to recent U.S. disclosures that Soviet eavesdropping gear had been discovered in the U.S. Embassy in Moscow. It also seemed to be linked to the arrest in New Jersey of two Soviet citizens accused of espionage.

Mrs. Peterson seemed caught up in the general heightening of tensions between Moscow and Washington. In recent years, both governments rarely publicized each other's espionage activities, allowing the quiet expulsion of apprehended spies.

Bizarre Tale

The tale of Mrs. Peterson skulking in the streets of Moscow, putting a rock containing poison capsules in a niche of a bridge, seems absurdly bizarre in the everyday world of her Falls Church home.

where residents are busily tracking down their own summer enemy: crabs.

A tall boxwood half-concealed the door to her \$90,000 three-bedroom, cream-colored brick townhouse. From the front, it looked as though no one was home. Venetian blinds were tightly closed at windows and doorways. From the back courtyard, lights could be seen. Mrs. Peterson returned there last fall, when she came back from Russia.

A young, clean-cut, dark-haired man in a T-shirt and dark slacks came out to get a newspaper and said that Mrs. Peterson was expected shortly. She never showed that night. Last week a neighbor said that Mrs. Peterson told her that she was going on vacation for two weeks. Another said she was certain that Mrs. Peterson was there a few days ago. Another said that she had not appeared in her back yard for two weeks. Another said that she took her trash out Tuesday night.

The phone had been alternately busy, left ringing or answered by a man who was always vague about Mrs. Peterson's return, or whereabouts. The man answering the door said that he was a "friend of a friend." A neighbor said: "I don't know him at all but Marty is very kind and nice. She told him to cut my grass while she was gone. No, I don't know when she'll be back."

Signs of Wealth

A few minutes later, the dark-haired man, dressed in a seersucker jacket and slacks, toiled out of Mrs. Peterson's garage in a sporty Pontiac Firebird. The \$7,000 car was purchased in August in Pompano Beach, Fla., by Martha Peterson. She paid cash.

Not bad for a woman who was supposed to have a junior-level FSO job that paid no more than \$13,000 a year. Mrs. Peterson moved into her townhouse in 1974, lived there for about a year. "Then, one day, she came over and told us she was going to Russia for her State Department job," a neighbor said. "She seemed real excited."

From November, 1975, to August of last year, Mrs. Peterson worked in several sections of the U.S. Embassy in Moscow. A bachelor who met her at the 1975 black-tie Marine ball shortly after she arrived in Moscow, remembered her as "about the most attractive single woman I'd seen at the embassy up to that point."

But one FSO wife took me aside and explained that "I shouldn't quiz her too closely about her background," he said, because "this was her first time out [at a post] since the tragic death of her husband. It seemed quite understandable that she could be protecting herself from a past painful experience."

He did not pursue her, saying: "I was somewhat put off hearing that, and didn't feel prepared to get into her emotional problems. I know this sounds kind of sexist, but at that time I thought of her as a naive young woman, a stranger in a mystifying world."

Her next-door neighbor in her

Envoy, 8 in Copter Die in Bali Crash

JAKARTA, Indonesia, June 25 (AP) — Indonesia's ambassador to Singapore, Maj. Gen. Chaerudin Hertasing, was one of nine persons killed today when a helicopter crashed in mountains on Bali.

Bali military commander Brig. Gen. Soewono said that the army helicopter went down in fog near the resort village of Bedugul. President Suharto and Prime Minister Lee Kuan Yew of Singapore are to meet there tomorrow. Gen. Soewono said that the ambassador's party had been inspecting the conference site.

Moscow apartment house recalled her only as a willing catfisher when they went out of town. On the phone from another Iron-Curtain country, he said: "Even if I knew anything, I really couldn't say. Talking on the phone here is like talking to a tape recorder. We're monitored all the time."

A woman who said that "Marty had a great sense of humor," added that there never was any talk of the past or the future, or of politics. "The center of everything was our living this ghetto existence in Russia; the present was everything."

A friend, now back in the United States, described himself as "very close" to Mrs. Peterson — "a simply marvelous person" — but he would not talk about her. He also said that he knew nothing of her background, except that her mother lived somewhere in Florida.

It seemed natural to some Foreign Service officers in Russia to know little about their friends and colleagues.

"Service in Moscow is equivalent to a foxhole," one said. "There were so few places you could speak openly. Offices? Bedrooms? All are bugged. You resorted to writing on paper."

It was also a place where a CIA agent had to live his cover, and live it well to divert suspicion.

Vice Consul

Mrs. Peterson was a vice consul who interviewed potential Soviet immigrants to the United States and helped U.S. visitors with passport problems.

And that is why, on a morning in March of last year, a few months before the Russians expelled her as a spy, Mrs. Peterson visited the Moscow hotel room of a distraught Washingtonian, Simon Tulchin, 75, recalls her distress following her husband's fatal heart attack during their tour of Russia.

Mrs. Tulchin initially had trouble getting anyone from the embassy to come to the hotel to expedite her departure.

"But the next morning this Mrs. Peterson appeared," she said. "She canceled my husband's passport so that no one could get hold of it and stayed about a half hour. She was just a lovely girl and a credit to the Foreign Service. Very considerate. She told me about losing her own husband. She left me with the impression she wanted to do something after her husband died, to do something for her country."

The Izvestia account of Mrs. Peterson's spy activities sounds like a Russian version of a Hollywood story of subversion. It was, in fact, written by Yulian Semenov, a famous Russian spy novelist.

On July 15, the Soviet newspaper reported, "A girl, working as U.S. vice consul in Moscow, got into a car and drove to the center of the city. In a poorly lit place she changed her dress, locked the car and boarded a city bus. After changing transport several times she finally hurried to the bridge linking Luzhniiki with the Lenin Hills and put an ordinary-looking stone in a loophole in the arch. It was there that the vice consul was detained."

The account went on: Embassy officials were quickly summoned, while the Russians held Mrs. Peterson. The "stone," the Russians said, was cracked open and was found to contain a microphone, photo camera, a large sum of money, two ampuls of poison and "special instructions" on how it should be used. The espionage rock was to have been retrieved by an anonymous spy.

'I am a Foreigner'

Izvestia continued: When apprehended, Mrs. Peterson "started shouting 'I am a foreigner!' Obviously the vice consul was shouting so loudly to warn the spy who was coming to the appointment place about the danger."

The Russians claim that Mrs. Peterson had previously transmitted poison used in killing an "inno-

cent Soviet citizen who stood in the way" of a CIA-run espionage ring. The alleged victim and the spy who carried out the execution were not identified.

According to the Soviet version: When police questioned her about the name of the intended victim of the poison, U.S. Consul General Clifford Gross advised her to reply: "Mrs. Peterson. Izvestia claimed, told him to 'shut up.' Mr. Gross then allegedly told her interrogators: 'No use asking her. She is only the executor.' Then, the paper said, the 'pretty CIA agent literally roared at him. 'Shut up!'"

Those who have served in Moscow scoff at the story and doubt the accuracy of the details. "They are so far-fetched," a woman who knew Mrs. Peterson in Moscow said. "The Soviets will say anything."

Persona Non Grata

Shortly after the alleged incident and her interrogation, Mrs. Peterson, who had diplomatic immunity, was allowed to leave Moscow on the first available plane and was declared persona non grata. Her co-workers heard that she was leaving Russia for "family reasons."

In Falls Church, she has kept more to herself for the last nine months. A neighbor whose daughter used to cut her lawn said: "I haven't even talked with her since she's been back."

Another grumbled: "That girl is so to herself. I don't know what all guys come and go there but she doesn't associate with anyone around here. I can't understand people so close-mouthed. A girl came asking questions about her last winter. Told me she was from the CIA."

There is still an official number



Martha Peterson sits with U.S. Consul General Clifford Gross in Moscow as she is being identified by Soviet authorities.

for her at the State Department: All we know is the Izvestia story. We know nothing more of her. And so Marty Peterson sneaks in and out of her townhouse, highly protected by a handful of friends hiding from the press and everyone else, a shadow in the world of Cold War spying.

Heeded Pleas of Vietnamese 'Boat People'

Mercy Mission Endangers Captain's Job

By Henry Kamm

BANGKOK, Thailand, June 25 (UPI) — Capt. Edgardo Silverio has just saved the lives of 31 persons but in view of the fact that a year ago he rescued 18 others, he is worried about whether he will be allowed to keep his job.

Capt. Silverio, a 37-year-old Filipino, is master of the freighter *Tomoco*, operated by a Japanese concern and flying the Panamanian flag of convenience. The 31 who are alive today because of him were escaping from Vietnam in a fishing boat, as were the other 18.

Shipowners are so disturbed at the loss of time resulting from their ships having picked up Vietnamese "boat people" because of the unwillingness of most Asian countries to let them ashore that over the last year or so — since the flow of such refugees became sizable — they have cautioned their captains not to rescue them.

This is a violation of the traditional law of the sea, which obliges

ships to come to the rescue of any vessel in peril. Although the United Nations High Commissioner for Refugees and many national officials have appealed to shipowners and captains not to leave refugees to the mercy of the sea, hardly a refugee boat has reached land whose passengers do not tell of having been passed by in distress.

Losses Particularly High

How many "boat people" drown at sea will never be known, but it is considered doubtful that more than half the boats that set out from Vietnam reach land. The losses are believed to be particularly high now, when the exodus is at its highest and the monsoon season has begun. About 5,800 refugees came ashore, mainly in Thailand and Malaysia, last month; the April total was 4,900.

The growing size of the refugee outflow has surprised all officials concerned and threatens to make insufficient all existing refugee quotas, particularly the new program for 25,000 Indochinese announced by the United States.

The *Tomoco* was the 15th ship to pass the small craft carrying the 31 refugees. The previous one, whose home port was Singapore, stopped long enough to drop some food and drink to them — 14 men, 8 women and 9 children, the youngest 10 months old — but did not heed their pleas to be taken aboard.

"I haven't slept for three nights thinking about this," Capt. Silverio said when asked how his company would react to the rescue. He expressed hope that instead of dismissing him, it would assign him to a ship whose normal voyage would not face him with the refugee flow.

A United Nations official said that the *Tomoco* was the only ship that had rescued refugees more than once. "Of the 12 ships that sail for my company, I am the only one who would pick up refugees," the captain said.

There is another reason Capt. Silverio has not been able to sleep. Shortly before picking up the refugees, his radio officer intercepted a message from the Greek ship *Zephyros*, reporting that it had just given food, water and fuel to a boat carrying more than 50 Vietnamese, including babies. The message concluded: "But with approaching weather their lives are in danger. Kindly provide humanitarian assistance."

It has not yet been learned whether that boat reached land or its passengers were taken aboard another ship, and Capt. Silverio is troubled because he did not order the *Tomoco* a few miles off her course to rescue that group.

U.S. and Russia Said to Join on Disarmament

UNITED NATIONS, June 25 (AP) — The United States and the Soviet Union, in a move to produce at least one significant result in the United Nations disarmament session, were reported today to be pressing for General Assembly backing of a plan to enlarge the Geneva international disarmament committee.

The question is whether the reorganization of the Geneva body would give seats to China, which has never been a member, and to France, which boycotted the committee in protest of its Soviet-American co-chairmanship.

The two superpowers are said to be seeking to expand membership of the panel from 31 to either 35 or 36 states.

Their initiative, improved the prospect that the five-week special assembly session on disarmament, in its last days, will produce at least one accomplishment — a revamped central negotiating body for control and reduction of weapons.

Spain Police Kill Man in Car

BILBAO, Spain, June 25 (AP) — A man was shot and killed and two persons were wounded last night, when police opened fire on their car after it failed to stop at a checkpoint near Apatamonasterio in northern Spain, police said. The victims did not carry identity papers.

Police set up road controls following the assassination — claimed by the Basque separatist organization ETA — last week of a municipal policeman in the Basque town of Tolosa.

ETA demands independence of the Basque provinces from Spain, but lately it has demanded that national police be removed from the region and replaced with an all-Basque police force.

Famous Giraffe Leaves a Baby

MARWELL HALL, England, June 25 (AP) — Victor, the giraffe who made headlines when he died after doing the splits, has left a baby daughter.

Named Victoria, the baby giraffe was born yesterday at Marwell Park Zoo in Hampshire. Like her father, Victoria has problems with her spindly legs.

It was the night of Victor, spreadeagled on the ground and trying to get to his feet, that brought telegrams, cards and letters from animal lovers throughout the world. The 15-year-old giant died of shock during an attempt to hoist him in a canvas sling.

OAS Backs U.S. on Rights Effort

WASHINGTON, June 25 (UPI) — In contrast to last year's session, when the Organization of American States was divided on the issue of human rights, most nations at the OAS general assembly have endorsed the American Human Rights Convention, U.S. Ambassador Gale McGee said yesterday.

Mr. McGee said that the Latin American foreign ministers have reached consensus on the need to reorganize the OAS and to endorse the 1969 San Jose human rights convention, which will make permanent the Inter-American Human Rights Commission.

He said that the United States will try to get the assembly to consider alleged human-rights violations in Cuba next week in the Judicial and Political Commission. The human-rights commission yesterday reported that it had received 389 new allegations of human-rights abuses as of June 9, involving 628 victims in 12 countries.

It was an apparent reference to Carter advisers who favor hard-line resistance to the Soviet Union and Cuba in Africa. "We hear these voices and I get worried," the chairman of the five front-line countries ringing Rhodesia said in an interview on ABC's "Issues and Answers" television program today.

Carter Advisers Worry Nyerere

WASHINGTON, June 25 (UPI) — Tanzanian President Julius Nyerere says that despite assurances from President Carter he is worried about "voices in his administration" who want to make Africa the site for a confrontation between superpowers.

It was an apparent reference to Carter advisers who favor hard-line resistance to the Soviet Union and Cuba in Africa. "We hear these voices and I get worried," the chairman of the five front-line countries ringing Rhodesia said in an interview on ABC's "Issues and Answers" television program today.

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Mainly Limited to the Cities

A Modestly Affluent Middle Class Grows in S. Korea

By Andrew H. Malcolm

SEOUL, June 25 (NYT) — Kang Dal Ohn is a teacher, a husband and a father. He also is a symbol of major change here for he is a member of a revolutionary social stratum in Korea — the middle class.

For centuries, this rocky peninsula has been divided into two stark social classes — the haves and the have-nots. But now, as a result of a combination of external and internal economic and political factors, a new grouping is rapidly developing in South Korea — the "have-somes" — with many of the social advantages and some of the problems that have accompanied middle-class development in other countries.

In some respects the development is still tentative. But diplomats and other foreign observers have noted an increasingly wider spread of modest affluence among the country's 37 million people,

mainly in the cities and especially in the last two years. Department stores bustle with buyers picking over an increasing variety of goods, from hiking supplies and electric hair curlers to exercise cycles and television sets — though programming is only a few hours each day.

There is no precise concept of the middle class in South Korea today. About 65 percent of the nation's 6 million households live in their own homes. Some government officials say the size of the middle class is about 40 percent of the total number of households.

"When I began teaching almost three decades ago," said the 41-year-old Mr. Kang, "the so-called middle class consisted of civil servants and bank clerks. They had a good, fairly secure life financially. But now you have to include more teachers, doctors and businessmen among our increasingly vigorous free enterprise system. We are taking a totally new place in society."

If these changes have brought hope for a kind of affluent stability in South Korea, which has yet to experience a peaceful change of governmental administration, they have also ignited fears over a loss of tradition and Asian values in a hectic scramble for rapid Western-style economic growth.

This growth is due to a variety of factors, including a political stability imposed, often harshly, by President Chung Hee Park, the U.S. defense umbrella and substantial economic development elsewhere in the world that made possible increasing purchases of South Korea's exports.

Such growth, especially in the business world, has provided a welcome economic ladder for rapid advancement for thousands of young men. But it can also be puzzling and disconcerting to many elders concerned over keeping their assumed traditional roles in an older, slower-moving society.

For 28 years, Mr. Kang has been working his way up through the teaching ranks, watching the pupils and subjects change as the country

recovered from war. He is now an assistant principal at Seoul National University's Elementary School. At first, he could only afford to rent two rooms for his wife and his growing family, which now includes four children aged 13 to 21. Through diligent saving, however, Kang was soon able to rent three rooms and then to buy a small house in his present large home, a modest five-room Korean-style house that cost him 7.5 million won, or about \$18,000 at today's exchange rate. The property, about 800 square feet, has since doubled in value. He borrowed less than 20 percent of the home's cost and will make the final \$63 monthly payment this fall.

Paris, June 25 (Reuters) — Angry residents blocked off the village of Pin southwest of here today to protest against government plans to link two Paris international airports with an autoroute.

Villagers complain that the planned highway between Orly, to the south, and Charles de Gaulle, at Roissy to the north, would bring traffic thundering within 15 yards of their homes.

3 Die in Japan Landslide

TOKYO, June 25 (UPI) — Landslides triggered by rain today killed at least three persons and buried three farm houses in southern Japan, the police said.

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Lightning Kills Tourists

STADTPROZELTEN, West Germany, June 25 (AP). Two teen age West German girls were killed and one of two U.S. soldiers sightseeing with them was fatally injured when lightning blasted a medieval castle tower they were climbing here, police said today. Two German sightseers, climbing the same tower of 12th-century Henneburg castle about 20 minutes later, discovered the bodies yesterday afternoon, a police statement said.

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'Unreasonable' Conditions

Peking Accuses Vietnam On Chinese Repatriation

TOKYO, June 25 (AP) — Peking accused Vietnam today of setting unreasonable conditions for the repatriation of Chinese residents and of colluding with the anti-Communist government on Taiwan and "dancing to Moscow's tune."

The Chinese news agency said that while Vietnam has procrastinated in negotiations, "lacking in sincerity and raising obstacles," it has spread fabrications about China's failing to discuss questions with Vietnam.

It said Vietnam meanwhile has "colluded, overtly or covertly, with the Chiang gang in Taiwan, which has long been repudiated by the Chinese people, and stealthily sent Chinese nationals to Taiwan."

Taiwan is the seat of the Nationalist Chinese government of President Chiang Ching-kuo. The agency said that although Vietnam's conditions for repatriation are "unreasonable," China was studying them seriously. One condition, the agency said, was describing the repatriation as taking "Vietnamese of Chinese origin" to China. "In other words," it added, "the Vietnamese authorities flatly denied the presence of large numbers of Chinese residents in Vietnam, still less the ostracism, persecution and expulsion of them."

The agency also complained about the three Vietnamese ports offered to Chinese repatriation ships. Vung Tau is too far from Ho Chi Minh City, formerly Saigon; Haiphong's Chau Ve pier was offered with no information about its length or water depth, and Qui Nhon port has only a small number of Chinese residents, it said.

The agency also said Vietnam's three-day limit for repatriation ships to stop in these ports was too short for processing passengers and objected to Vietnam's deciding who can and cannot leave.

Peking said that more than 130,000 Chinese residents have already crossed Vietnam's land border into China. It added that it sent ships to pick up more Chinese on June 19 but they have not yet been allowed to enter Vietnamese ports.

Ferdinand, Meet Elsie

BRATTLEBORO, Vt., June 25 (UPI) — There's nothing new about computers that match people. But for cows?

The Holstein-Friesian Association of America is using its computer to match up cows and bulls.

"We are now using new technology to build a better cow," said a spokesman. Association officials say that it has resulted in a dramatic improvement in the milk production of Holsteins — the most popular dairy breed in the United States.

The parentage, pedigree and characteristics of more than 10 million registered Holstein cattle for nearly 100 years are stored on microfilm or computer. Farmer-members determine their herd's weak points, consult the listing of available sires and match each cow with the bull most likely to produce good offspring.

Iran Dropping Plans for Pact On Gulf Defense

KUWAIT, June 25 (UPI) — Iran is no longer taking the initiative of setting up a Gulf defense pact because its neighboring Arab countries are not in favor of the concept, Premier Jamshid Amouzegar told the newspaper Al Siyassah today.

"We have kept Gulf states informed about the dangers involved in Communism and sabotage against oil wells — but the replies given by the Arab states did not include a complete and categorical agreement," he said.

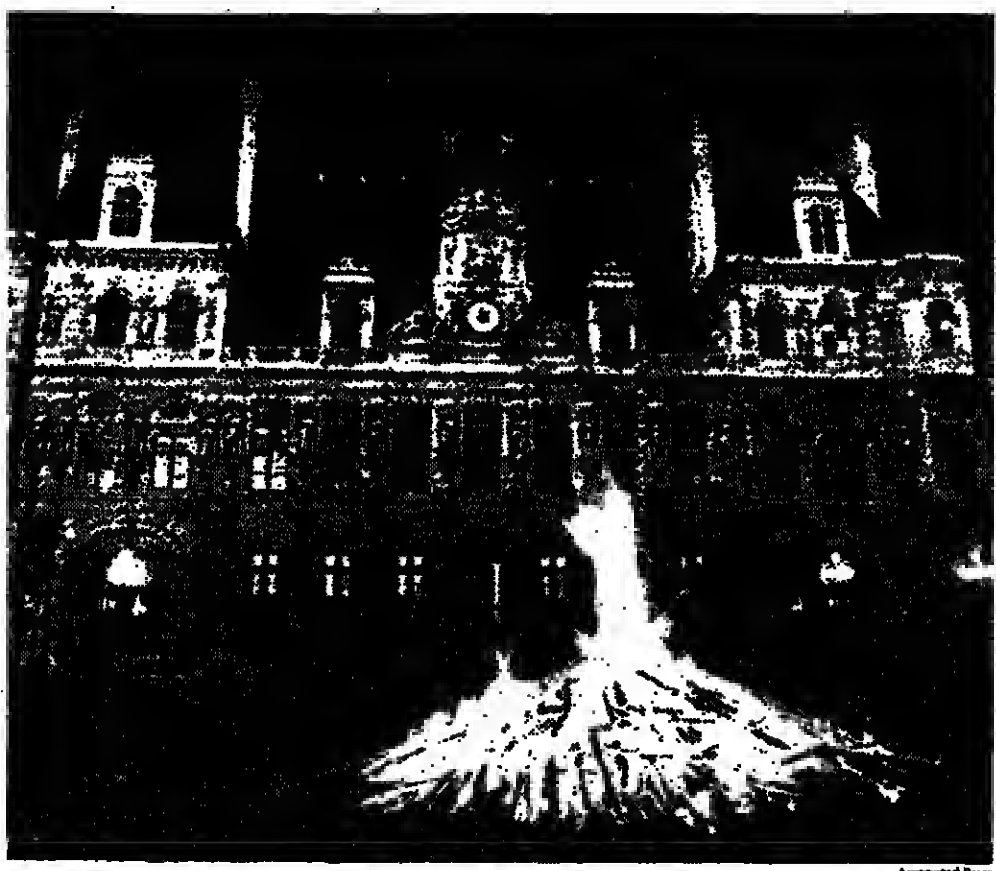
His remarks confirmed recent Iraqi government statements voicing opposition to any group treaty for the Gulf countries. Similar objections were said to exist in Saudi Arabia.

Firebombs Rip Paris Bookstore

PARIS, June 25 (AP) — Firebombs ripped through an extreme-right bookstore here last night in what was described as a last warning to authorities to ban a rightist meeting on Tuesday.

Firemen quickly controlled the fire but many books were burned. A caller claiming to represent the Autonomous Group Against Fascism told the Agence France-Presse news agency later it was responsible for the attack.

The New Forces Party has scheduled a public meeting featuring extreme rightists from Italy and Spain. Extreme-left organizations today called for a mass demonstration against the meeting Tuesday.



BONFIRE IS BACK — Despite heavy rain, the traditional bonfire of St. Jean — a custom abandoned since 1789 — was revived in Paris Saturday night. Mayor Jacques Chirac lit a 30-foot bonfire at the Place de l'Hotel de Ville. It burned for an hour while the Republican Guard Orchestra played Rossini. A large crowd turned out, but it was kept back for safety.

Obituaries

Edward Hunter, Coined 'Brainwashed'

WASHINGTON, June 25 (AP) — Edward Hunter, 75, an authority on psychological warfare who popularized the term "brainwashed," died yesterday apparently of a heart attack at his home in Arlington, Va.

The author of several books on brainwashing, he is credited with having introduced the term into the English language after first hearing the term *hai nao* used in China, which literally means "wash brain."

Mr. Hunter began his career as a newspaperman and foreign correspondent for the now defunct International News Service. He reported on the Japanese invasion of Manchuria and later spent five years in Spain where he covered the Spanish civil war.

With the outbreak of World War II, he was recruited by the Office of Strategic Services, beginning an association with the U.S. intelligence community. After the war, he joined the CIA.

Later, he became publisher-editor of the magazine Tactics, a monthly analysis of current events

that also reviewed developments in psychological warfare.

Mr. Hunter, who was listed in both the American and British Who's Who, was a member of the Overseas Press Club of New York City, where he was born.

In his early years, he worked at several newspapers, including the Newark Ledger, New Orleans Item, New York Post and New York American.

Rep. William Ketchum

BAKERSFIELD, Calif., June 25 (UPI) — Rep. William Ketchum, 56, R-Calif., died last night, apparently of a heart attack.

Mr. Ketchum had a coronary attack at his home here and was pronounced dead on arrival at Kern Medical Center 20 minutes later.

He was member of the California Assembly from 1966-72 and was serving his third term in the House from the 33d Congressional District.

Hospital Administrator Joseph Hummel said Mr. Ketchum had

been playing tennis in the afternoon and apparently suffered the attack in the shower a few minutes later.

Mr. Ketchum, a cattle rancher and farmer, was also a former president of the San Luis Obispo County Farm Bureau.

Tun Ahmad Koroh

KOTA KINABALU, Malaysia, June 25 (AP) — The governor of the Malaysian state of Sabah, Tun Ahmad Koroh, died at the Queen Elizabeth Hospital in this state capital today after an apparent heart attack, the Sabah government announced.

Tun Koroh, 53, was named governor last Oct. 12.

Cecil F. Holland

WASHINGTON (AP) — Cecil Fletcher Holland, 70, longtime Washington Star newsman who worked previously with The Chicago Sun and The New York Herald-Tribune, died Thursday.

Valuable Strategic Edge

A Soviet Gain Is Seen in Afghanistan

By Drew Middleton

NEW YORK, June 25 (NYT) — The establishment of a powerful Soviet military and political influence in Afghanistan is regarded by experienced analysts as more valuable strategically to Moscow than any of the Kremlin's gains in Africa.

"The 'Great Game' is over and the Russians have won it," said one of the most experienced U.S. students of Soviet policies during a symposium conducted by the NATO Atlantic command.

He referred to the long duel, fought by espionage and diplomacy, between Russia and Britain in the last century for control of Afghanistan. Rudyard Kipling had named it the "Great Game."

The installation of a pro-Soviet government in Kabul and the impact of this on Iran, other Gulf States and Pakistan is part of the rapid change in the strategic environment. This change and its implications for the United States and its allies was studied by the symposium, which met for three days at Annapolis, Md. Called Sea Link, it attracted more than 270 generals, admirals, diplomats, scholars and officials.

Threat to Iran

The strategic result of the revolution is that Iran, the closest ally of the United States in the area, now faces the possibility of an eastern neighbor that not only is armed with Soviet weapons — but also is advised by Soviet officers.

Pakistan, in the throes of an internal political struggle, must ex-

pect Afghan hostility to continue. But the Afghans may now have a claim on more advanced Soviet arms, which conceivably could be used if Afghanistan decided to help the dissident Baluch tribesmen or reopen their territorial claims in the Khyber Pass area.

For more than a decade, the Afghans have been using Soviet financial and technological help to build a multilane highway from the Soviet Union south to Kabul, Kandahar and Pakistan's northern frontier.

Three years ago the Shah of Iran and his military leaders voiced acute concern by the possible strategic impact of this program.

"If Pakistan should fall apart," one of the generals said, "the Russians would have a clear road to the Arabian Sea and the capability to build bases near the exit from the Gulf through the Strait of Hormuz."

NATO military leaders, studying the impact of events in Afghani-

stan, Soviet progress in the Horn of Africa and the establishment of naval anchorages and facilities and air bases along the oil route around the Cape of Good Hope to Europe and North America, perceive a new and troubling element in the global strategic situation.

The long-term improvements in NATO's military stance in Central Europe, authorized at the meeting of the alliance last month in Washington, will not solve the problems raised by Soviet penetration outside the NATO sphere, which is bounded on the south by the Tropic of Cancer.

A NATO senior official said that it was "self-delusion" to believe that reinforcement in Europe would compensate for the implications of Soviet actions elsewhere.

The consensus of Sea Link was that the West can no longer afford to concentrate on scenarios for fighting a war in Europe but must find more effective means to cope with global Soviet power.

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FIAT

Why Censor Non-Secrets?

"Roarin' Oren," they call him in the federal courthouse in Alexandria, Va., and in a case last week, United States District Judge Oren Lewis demonstrated why. The suit involves Frank Snapp, a former CIA agent who last year published a book about the fall of Saigon. The government sued because he did so without submitting it as pledged, for approval before publication. To many, the case involves a complex clash of principles — the government's need to keep secrets versus the public's need to learn about the misdeeds or failings of government. But it seemed simple to the 75-year-old Lewis.

Repeatedly, he shouted at Snapp and his lawyers, interrupting sentence after sentence. The judge said he had not yet reached a "definitive decision," but still felt obliged to proclaim that what Snapp had done "was a willful, deliberate breach of trust. . . and I think he did it for the money."

As columnist Mary McGrory wrote when the government applied to Lewis for a summary judgment, "you could probably find no more summary judge." One need not wonder why the Justice Department filed the case in his district in the first place. He behaved the way one would have expected. But the problem is not the judge. It is the case. We thought it a crude business when the government filed it last winter. It now appears cruder still.

The government not only has a right but a duty to protect important secrets. That is why CIA employees sign prepublication clearance agreements. But it is hard to maintain much sympathy for the government's problem in protecting secrets in this case. The government, it turns out, does not contend that the Snapp book reveals classified information. There are no secrets here.

That alone justifies asking Attorney General Bell why he brought this case. He says it is needed to establish the principle that secrets can be protected with breach-of-con-

tract suits. But that principle has already been established, in a case involving another former CIA employee, by the Federal Court of Appeals in Richmond. And even that court limited its ruling to material that in fact involved secrets; the First Amendment, the court said, forbids prior censorship "with respect to information which is unclassified or officially disclosed."

Why is the attorney general so determined to seek a contractual right to censor non-secrets when he already has that right to protect secrets? Probably because, if that right is to be effective, the government has to know about a book in time to insist on approving it. But this book was produced and distributed stealthily; by the time the CIA found out about it, it was too late. The agency was left needing a new sword to rattle against others with the same idea. It should be recalled that CIA is right now cutting down its staff and releasing 800 operatives — 800 potential Frank Snapps.

Breach-of-contract suits are, however, a clumsy sword and by resorting to them it seems to us that the government is shirking its dual duty to protect free speech and to protect secrets. There are more direct and effective ways to do the latter. For example, former CIA Director William Colby has advanced a sophisticated and sensitive approach. Prepublication review, although not required, would be available to present and former officials. But there would also be a narrow law forbidding their reckless disclosure of secrets.

Would-be authors determined to avoid censorship could take their chances of prosecution. And the government would at last be able to seek to punish those who blow important secrets. Relying on a plan like this is surely preferable to relying on the thunderings of an injudicious judge.

THE NEW YORK TIMES.

Korea's Gamble

South Korea took a high-risk gamble in resisting a reasonable compromise over the testimony of former ambassador Kim Dong Jo, who is accused of bribing numerous congressmen, and thereby in forcing the House to make good on its warning to cut off food aid. The aid lost, \$56 million, may not mean much to Seoul, a billion-dollar customer of American agriculture. But a barrier has been breached: The United States has found reason — adequate reason, in our view — to take a punitive slap at a longtime ally. It cannot possibly be to Korea's advantage to have its whole future relationship with its principal patron unfurl under the cloud created by its failure to cooperate with the bribery inquiry in the House.

We are persuaded that House investigators went as far as they could to accommodate Korean sovereignty and pride, short of abandoning the requirement laid on them by the House to obtain Ambassador Kim's testimony either under oath or by "comparable means of assuring reliability." But even so, investigators could gain neither the reasonable prospect of agreement on a procedure for taking Mr. Kim's testimony nor, alternately, the Korean government's assurance that testimony however taken would be true.

The best guess is that South Korea figured it would take its licking on food aid in the hope that the House would not go on and take security aid hostage as well. Like everyone else, the Koreans can see that the House

is not unrestrained in its enthusiasm for an inquiry that, if it succeeds, promises to vindicate the honor of the House as an institution but to be very costly to certain members as individuals. Indeed, there is a powerful temptation for members of the ethics committee, to say they have done everything they reasonably could to promote the inquiry without invading the sensitive area of national security, and to fold the tent.

The Koreans obviously wish to take the food-aid cutoff as the end of the affair, as retaliation — however unjustified in their eyes — for their refusal to meet the terms of the House special prosecutor, Leon Jaworski, on Ambassador Kim. It is just possible, however, that they have left open a small door. Mr. Kim resigned from his government Friday. Why? It's puzzling. Perhaps he did so to make a typically Oriental apology to his country. But his resignation could affect the question of his testimony: There is a political difference, if not a legal one, between testimony demanded of a government official and testimony offered "voluntarily" by a private citizen.

That prospect alone makes it worth the House's while to continue its quest for reliable testimony. As for Korea, it should not have to be repeatedly or forcefully reminded why it is worth its while for Mr. Kim to respond.

THE WASHINGTON POST.

International Opinion

2 Nubs in Mideast

The United States has asked Israel what it proposes for the West Bank. Israel has replied that it intends to keep it. It will have some form of autonomy and in five years time the details may be reviewed and altered. But neither then nor, it seems, at any other time will the inhabitants have the right to opt for severance from Israel.

This is no way to peace. The West Bank is the nub of the Palestinian problem and the Palestinians in turn are the nub of the Middle East imbroglio. They demand a state of their own. They are too numerous to be swept under the carpet and their Arab brethren, though frequently exasperated with them, will continue to support them against Israel. Prime Minister Begin's attempt to eliminate them politically by his invasion of Lebanon failed. Not only do their existence and persistence have to be recognized. Their claims have at least to be partially met one day.

— From the Sunday Times (London).

The mild reaction of President Sadat should not disguise the seriousness of the situation created in the Middle East by the Israeli Governments reply to American questions about the future of the West Bank. The danger now is that without progress toward peace both sides will drift back to the old road that leads to war.

— From the Observer.

Bad Week for Terrorists

Exactly how the four suspected terrorists were spirited away from a Bulgarian holiday beach and brought back to face charges in West Germany is in dispute.

But the fact that the operation could take place at all shows a degree of police cooperation almost unknown between a NATO and a Warsaw Pact power.

At the same time, 29 members of the Red Brigades, including several of its founders, were jailed by the courageous judges and jurymen of a Turin court, which thus did much to reassert the shattered authority of the Italian state.

It has, in short, been a bad week for terrorists — which makes it a good week for everyone else.

— From the Sunday Telegraph (London).

In the International Edition

Seventy-Five Years Ago

June 26, 1903

LONDON — The French colony in London is bitterly disappointed over the allotment of tickets for the reception of French president Loubet at the Guildhall during his visit to London. Mr. Leon Clerc, secretary of the French Chamber of Commerce, stated that, in his opinion, French nationals had been overlooked in the distribution of tickets, and added "it is most remarkable that a commercial people like the British should treat a commercial body like this."

Fifty Years Ago

June 26, 1928

JOHANNESBURG — Six men in two trucks under the command of Captain Clifford recently set off from Mahalapye with a view to exploring hitherto unknown areas of the Kalahari desert. The venture is one of considerable danger as this is the hottest season of the year, when all known waterholes are dry. None of the personnel will be able to wash until the journey is completed. If the men are not back within a certain time, planes will be sent to search for them.



The Medal of the Just

By Leopold Unger

BRUSSELS — Nineteen Poles have just received the Medal of the Just, which is awarded by Jerusalem's Historical Institute of Yad Vachem to persons who saved the lives of Jews during the Nazi occupation.

This appears to be a banal piece of information; thousands of persons throughout Europe, including hundreds of Poles, have already received this decoration. But the novelty here is in that it was this first time that the solemn presentation ceremony took place in Warsaw.

This geographic detail — of totally secondary significance anywhere else — adds a touch of history to the event and clearly indicates the complete state of relations between the Polish state and Jews. Dating back many centuries and never simple, these relations went through alternate periods of tolerance and hatred, fertile cohabitation and a tragic similarity of fate which, nevertheless, did not prevent the various governments of Poland — bourgeois or Communist — from imposing at times policies of anti-Semitism that were as cynical on the political plane as destructive on the human level.

The question today is whether these fragile relations have reached a turning point, or more precisely a new turning point. There are many signs pointing to that conclusion. In fact, the Poles received their decorations from the director of the Yad Vachem Institute in person. And he was only one of an impressive delegation of Jewish and Israeli personalities.

Eichmann Trial

Among the members of the delegation were Nahum Goldman, honorary president of the world Jewish Congress; Gideon Hausner, a member of the Knesset and the former prosecutor-general of Israel responsible for the trial of Eichmann; and Stefan Grajek, who fought in the Warsaw Ghetto and is now president of the International Union of Jewish Veterans. This delegation was the first official Jewish group to visit Poland since 1967, when ties were broken between Israel and Poland.

The official reason for their visit was the 35th anniversary of the Warsaw Ghetto uprising. An apparently normal pretext, which also bore an unusual significance. There was no Jewish delegation to the 25th anniversary of the uprising in 1968, nor to the 30th anniversary in 1973.

In 1968, the Polish government was going through a hysterical

wave of anti-Semitism; the Jews had been chosen as scapegoats for the internal dissension that was ripping apart the Communist Party. Five years later, the fallout from 1968 was still so thick that the Jews who then had been invited to attend the ceremonies decided to boycott Warsaw's siren calls.

The delegation which this year decided to accept the invitation was very well received in Warsaw. Nothing was spared to convince the visitors that the current Polish rulers firmly desired to renew the dialogue between Poland and the Jews.

Ghetto Monument

Many wreaths were placed on the Ghetto monument, and a permanent exhibition was inaugurated with a delay of 30 years at Auschwitz to the memory of the 3 million Jews who were murdered there, while an impressive number of high state and party dignitaries were present at a solemn concert in Warsaw at the time of the inauguration.

Several days after the departure of the delegations, phrases long forgotten were once again being pronounced in Warsaw, Communist Party leader Edward Gierk who promised in 1968 to "break the bones of the Zionists" changed the style of his political speeches and declared: "Never in the past have we had a hostile attitude toward the Jewish nation. . . . The Israeli nation, the Jews, as all other peoples have the right to an independent state. What better proof can there be of our relations toward the Israeli nation and the Jews than our attitude before history and all our common experiences. This common history should never be forgotten in our country. We must create the conditions to facilitate a rapprochement in the future and the normalization of relations between our states and our peoples. When will this occur? The answer to that question depends not on us alone."

In addition to its exceptionally moderate tone, this declaration contains several interesting aspects. It was made as an answer to a question during a press conference with leading journalists. Both the fact that a journalist dared to ask such a question, and the fact that the answer was published would not have been possible without authorization from the highest level.

Nevertheless, Mr. Gierk's gesture is of limited scope and fits in to the frame work of political strategy. And, furthermore, could not have been accomplished without the approval of the Kremlin.

This apparently new attitude is not enough, however, to resolve the long list of hatred-filled issues which exist between the Polish state and Polish Jews. It was wise that Mr. Goldman, a Jew, denounced, when in Warsaw the anti-Polish connotations in "Holocaust," the U.S. television series on the massacre of Jews. (If indeed the series contained such insinuations, Mr. Goldman did not see them.) But it was unfortunate that no leader of the new Poland used this excellent opportunity to publicly denounce the anti-Semitic purges of 1968 or to call for an end to the present Polish propaganda campaign which acts as if it could belittle the democratic dissidents by revealing their Jewish origins.

In sum, whether Mr. Gierk's declaration was honest and sincere or merely an opportunistic maneuver, the practical limits of this — objectively positive — gesture, show clearly that the time of reconciliation between the Polish Communist state and Polish Jews has not yet come.

Wladyslaw Bienkowski, a former Communist leader who once served as minister of education, and who has become one of the most lucid analysts of the failure of Sovietism in Poland, declared about the events of 1968: "One would have thought that after the assassination of almost all of the 3 million Polish Jews, there would have been no more talk of the so-called Jewish question. But that was just wishful thinking. Never before in our history has anti-Semitism been, as it was in 1968, part of the nation's program."

No criticism of U.S. television — even in Warsaw — will be enough to wipe away memories.

After Dark in Washington

By James Reston

WASHINGTON — The other night, President Carter had about 70 members of the Congress down to the White House for supper, and turned the occasion into sort of a seminar, with the president, Secretaries of State and Defense Vance and Brown and Security Council Chairman Brzezinski inviting the questions and criticisms of the guests.

The night before that, Secretary of Defense Brown had 14 leaders of business, science, and the clergy at the Pentagon for a meal and a couple of hours of candid discussion and analysis of the major problems before the country.

Earlier this month, the president had a similar session with the members of the Trilateral Commission, representing influential private leaders from Europe, Japan, and the United States, followed by a dinner at the State Department, where Secretary Vance and Deputy Secretary Warren Christopher responded to the inquiries of their guests for over two hours.

This sort of thing is not particularly new here. There has always been a kind of after-hours relationship in Washington, free of the rancor that often embitters politics in other democracies, but President Carter is now expanding these extra-curricular activities in a distinctly personal, informal and Southern way.

Hard Questions

It would be hard to measure the result of these meetings. They take a lot of time and preparation. When they do not go well — as was the case in the Vance-Christopher dinner with the Trilateral Commission — they actually defeat their purpose of building confidence, but most of the time they encourage understanding of the hard questions before the nation.

For one thing, they help break down the separation between the president and the Congress, and at least ease some of the pressures on both. There is, for example, some resentment among the younger members of the Congress that the people's business is conducted primarily by the White House, the Cabinet, and the Committee Chairmen of the Congress, but if 70 or 80 members of the federal legislature, including many of the young Turks, are invited to the White House to raise their concerns, they feel less isolated and more aware of their common problems and the national interest.

One of the major problems here is that the world is changing faster than the institutions that have to deal with these problems. Secretary of the Treasury Blumenthal has just written a most sensitive analysis of this dilemma in the current issue of Foreign Affairs.

His theme is that we are living in a time of revolutionary change and haven't adjusted to it either at

Big Cities of U.S. Are Losing Clout

By David S. Broder

ATLANTA — From ancient times, the philosophers have argued whether politics is an art or a science. In some respects, it is neither, but rather a branch of applied mathematics. Last week's meeting here of the nation's mayors explains why.

The notable thing about the 46th annual gathering of the U.S. Conference of Mayors was the severity of the disagreements that were revealed among the men and women who run our major cities over the question of how their share of the federal-aid pie should be sliced.

There is nothing new about the variety of interests represented in the conference, which includes mayors from all cities over 30,000 population. Depending upon their age, their size, their region and their economic health, these cities have very different stakes in the distribution formulas for the billions of dollars Washington distributes to mayors' offices each year.

But never before in the history of the cities' lobbying arm have those mayors come as close as they did last week to breaking up over the question of distribution formulas. Only some urgent backstage meetings avoided that pitfall, which could have crippled the major push to enact President Carter's urban programs.

Crisis Year

The reason this was such a crisis year for the organization and the urban interests it represents can be found in three sets of numbers.

First, there is 13 — the famous California Proposition 13, it pinches off funds for city services in the largest state and puts all governments across the country on notice that they must discipline their own taxing and spending habits.

Second, because of Proposition 13, there is greater pressure both on Carter and the Democratic Congress to curb the most rapidly growing areas of the federal budget. As it happens, one of those areas has been federal aid to state and local governments. As Wayne Anderson, executive director of the Advisory Commission in Intergovernmental Relations, pointed out here, that sum has increased from \$7 billion to \$80 billion in the past two decades, with much of the increase just in the last few years.

So long as the federal-aid pie was expanding rapidly, mayors were content — about the size of their slice, that is — but with Proposition 13 signaling a slowdown in the overall growth, the battle for a bigger share gets tougher.

And that is where the third piece of mathematics enters. For most of its life, the mayors' conference has

been dominated by its big-city members. With such media stars as New York's John Lindsay and such muscular politicians as Chicago's Richard Daley, the big-city mayors made themselves a major force in the 1960s. But that generation of mayors has gone to political banishment of the great beyond, and the leadership of the conference has passed into the hands of mayors from smaller, growing cities who do not have the same interests or problems as the mayors of the old, declining cities.

The new chairman of the organization is William McNichols of Denver, a rapidly growing Western city. His successor is slated to be Richard Carver of Peoria, a Republican who in 1980 is aiming to run against Sen. Adlai Stevenson Jr. (D-Ill.), a principal architect of the New York City loan legislation.

As Salt Lake City Mayor Ted Wilson, another of the emerging leaders of the group, remarked: "There's a shift of power taking place. . . . Ever since the New York City bailout, the big city mayors have quieted down, and you see the mayors of the smaller cities, the Sunbelt cities, saying more about their right to share in federal programs."

Many of the mayors of those smaller and more prosperous cities are opposed to the kind of "targeting" of federal urban aid to areas of serious distress that Carter has proposed. It was their opposition which almost brought an open split in the conference's ranks. In the end, it was compromised — or papered over — for this year.

Clear Signal

But the clear signal is that the big cities, which have been the great engine of liberal domestic programs, are losing their clout, even in the mayors' organization they once dominated.

Once again, the reason lies in the numbers. The big cities' share of the national population is decreasing rapidly, while that of the middle-sized cities rises. Between 1950 and 1970, the portion of the population residing in cities of 250,000 to 500,000 rose from 31 to 36 percent.

By contrast, the Census Bureau estimates that in the first half of this decade alone, Cleveland and St. Louis lost 15 percent of their citizens; Atlanta, Pittsburgh and Detroit, 12 percent each; Chicago, 8 percent; Philadelphia, 7 percent; and New York City, 5 percent.

The future course of national politics — to say nothing of the distribution of federal funds — is written in those numbers, as the meeting here last week demonstrated.

home or abroad. Everywhere, he says, governments are being asked to deliver more health services, educational opportunities, clean air and police protection, while resources have been shrinking under the pressure of inflation, international trade is growing faster than internal trade, and foreign investment is growing considerably faster than home investment.

Blumenthal mentions some other significant changes: Americans now hold \$350 billion of assets in foreign countries, while foreigners now hold about \$275 billion in United States assets; American merchandise exports, which were only about 5 percent of our total production of goods in the early 50s, have now risen to over 10 percent; the growth of international trade, international investment, international licensing, multinational enterprises, has produced a new world economic structure for which the nation and the government structure are not prepared.

Separate Domains

"Under the Constitution, fortified by law and tradition," he notes, "domestic economic affairs are the special domain of the Congress, while foreign economic affairs fall more heavily under the president's control. . . . Today, however, practically every major issue in U.S. politics has strong foreign implications as well. As a result, what Congress sometimes sees as primarily a domestic issue, the executive branch often sees as primarily a foreign one. There are occasional signs that Congress and the executive branch are struggling toward some kind of new relationship that would reflect that change in basic circumstances."

This, of course, is precisely what Carter is trying to do by encouraging these meetings with the Congress and leaders from the private sector in this country and abroad. By the nature of the legislative process, congressmen usually have to concentrate on one small part of the nation's overall situation at a time, keeping in mind the interests of their own constituencies, and therefore seldom having time to look below the troubled surface of the waters of the world to the deeper tides that are challenging old habits and assumptions and compelling new forms of cooperation within Washington and outside in Washington's relations with the rest of the world.

Also, this educational process works both ways. These meetings give the legislators a chance to tell the president frankly that he is confusing the people with his fits and starts; and that he is not always keeping the larger picture and clear order of priorities before the Congress.

In this give-and-take outside the formal procedures of government, some progress is made, however slow. The chairman of the Federal Reserve, G. William Miller, and the chairman of the Senate Banking Committee, Russell Long of Louisiana, dined with Secretary of the Treasury Blumenthal at the latter's house in the woods a few evenings ago. This was strictly a social occasion, but there was a lot of general talk and story-telling about problems common to these three influential and independent public servants.

The people's business is not conducted in these private meetings, or in the larger question and answer sessions, but in a more relaxed atmosphere, general problems are explored, sometimes attitudes are changed, and maybe some suspicions removed.

Maybe. Nobody really knows what happens as a result of these informal exchanges, but the democratic process works in many different and subtle ways, and the guessing is that these after-hours gatherings are a more important aspect of governing in Washington than is generally understood.

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COMMODITIES

More Investors Are Rushing In, Creating a Worldwide Boom

Regulatory Problems

U.S. Speculators Await Option-Trading Approval

By Alan J. Wax

NEW YORK (IHT) — Commodity options may be the wave of the future, but in the United States the future will have to wait a while. Although dealers and traders in the United States hope that exchange-traded options will be permitted either later this year or early in 1979, the Commodity Futures Trading Commission so far does not seem in a hurry.

In London, however, where options were born, trading is continuing at a brisk pace, spurred by orders from speculators in West Germany and Switzerland.

Meanwhile, people in the United States with a penchant for speculating in commodities — but without the \$10,000 initial payments required by most brokers — will have to settle for the less useful dealer options.

Commodity options, like options on securities, are a form of trading without making a full-scale commitment. There are three basic types of options:

- A call, which gives the holder the right to buy a commodity futures contract at a preset price within a definite period of time.

- A put, which gives the holder the right to sell — or put — a commodity option at a specific price within a definite period of time.

- A double option, which gives the holder the right to buy or sell — but usually not both — a commodity futures contract under the same terms.

A Commitment

A futures contract, on the other hand, is a commitment to buy or sell a commodity on a definite date (although the commitment can be shed simply by selling the contract). Most futures contracts do not result in the actual delivery of the commodity.

As Perry J. Cracraft, author of his book "London Options on Commodities," the purchase of commodity options provides the opportunity to speculate with limited risk.

Mr. Cracraft, who is an options broker, explains that speculators who buy futures contracts can be wiggled out of the market by sudden price moves either up or down, depending on whether they have bought or sold contracts — even though they may have correctly anticipated the market's direction over the longer term.

The option, on the other hand, gives its holder time. Day-to-day fluctuations, which often can make or break a contract trader, have no effect on option holders. They can wait until the expiration of the option to see if the market moves in a favorable direction.

If it does not go the trader's way, one of the biggest attractions of option buying comes into play. There are no margin calls for additional capital as the price swings back and forth. (Commodity options generally cost several thousand dollars, unlike options on common stocks, which usually trade for several hundred dollars.)

Fraud

If the idea sounds attractive — and it certainly has in London and in stock-option trading in the United States — it has been less than a boon to U.S. regulatory authorities. The short history of commodity option trading is filled with cases of fraud, bucket shops and boiler room high-pressure sales tactics. (A bucket shop is a firm that accepts its clients' investments but does not buy the options. If the trade is a loser, the firm is supposed to pay off as if the trade were legitimate.)

In practice, bucket shops usually disappear long before the trader knows whether he guessed right or wrong.)

The most recent scandal in the commodity option field is the United States case of Lloyd Carr & Co., a Boston-based firm that claimed to be the biggest option firm in the country. After receiving complaints from many of the firm's customers, federal authorities moved in only to find that its founder, known as James Carr, had disappeared, leaving customer losses that may have run into millions of dollars.

The embarrassment to the authorities was compounded when it was learned that "Carr" was really Alan Abrahams, an escapee from a federal prison.

The CFTC, which for a year had been trying without success to close the Lloyd Carr firm, found as it picked up the pieces that Carr had never sent any of his customers' funds to London for investment options. Today, Abrahams is back in prison, the firm is out of business and its clients — and authorities who were supposed to be on the lookout for such practices — are left to lick their wounds.

In the wake of the Lloyd Carr episode, the CFTC has banned options trading in the United States until it can set up appropriate oversight mechanisms. In the meantime, U.S. residents are limited to trading "dealer options," which are based on actual metal inventories held by Mott Metals Corp. of New York or its subsidiary, Quality Metals Corp. Firms selling these options must have at least \$10 million in net worth, which severely limits the number of firms offering the options. They are available only for gold, silver, platinum and copper.

If things go according to the plan envisioned by CFTC chairman William Bagley and other commission and industry officials, U.S. exchanges will be able to trade commodity options within the next 12 months. CFTC officials say their program hinges on a \$1.8 million appropriation from Congress to permit the agency to hire 60 additional people to monitor an options program.



Traders call bids at N.Y. Commodities Exchange Center.

Futures: Taking Risks for Big Profits — and Losses

NEW YORK (IHT) — Futures markets have two basic elements: hedging and speculation. Hedging is done by so-called "trade sources" — the producers and users of the actual commodity. Speculators are non-trade participants in the market. Here is how each half works:

The Hedgers

Futures markets were created to free both the producers and the users of commodities from the uncertainties of price fluctuations.

A farmer in Kansas, for instance, plants his wheat in the spring and will have it ready for the market in

October. However, he wants some assurance of the price he will receive for the wheat so that he can plan his business and be reasonably certain of his income. The farmer would sell (go short) futures contracts for his entire crop (5,000 bushels of wheat for each contract). Once he has done that, he has guaranteed the price he will receive when he sells his crop in October, although the market price of wheat may move sharply up or down.

If the price rises, the farmer will get more for his crop, but he will lose the same amount when he repurchases the futures contract he has sold. If the price falls, he will realize less for his crop, but he will

make a profit on the futures sale.

On the other side of the market, a baker wants to know how much he will have to pay for wheat in October in order to plan other aspects of his business. (The cost of wheat actually makes up only about 1 percent or so of the cost of bread.) The baker would buy futures for the amount of wheat he will need in October and, like the farmer, he has guaranteed his price.

If the market price of wheat falls, he will pay less for the wheat that is delivered to him, but he will lose the same amount on the futures contracts he owns. If the price of wheat rises, his cost will go up, but it will be offset by the profit on the

futures contract, which will rise by the same amount.

The farmer does not plan to sell his wheat to whoever bought the futures contracts he sold. And the baker intends to buy wheat from his normal suppliers. As the maturity date for the wheat futures contract comes near (in October), both the farmer and the baker would make "balancing" transactions in the futures market: the farmer buying contracts to cover his "short" position and the baker selling the contracts he bought earlier in the year.

Then each would make normal transactions with their usual business partners, each knowing that

no matter what happened to the price of wheat in the meantime, each is protected by the futures position established months before.

The Speculators

Futures market speculators, who are regarded more highly than their stock market counterparts, assume the risk that the producers and users are trying to avoid. In return, they gain the potential for big profits — and the possibility of equally large losses — in a very short time.

The key to speculation is leverage — the relatively small cash deposits required to buy and sell contracts.

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This Section

This special report was prepared and written by Philip Greer with Alan J. Wax, Martin Barolsky and N.L. Bacon.

smaller — in the area of \$1 billion. By contrast, all the stock exchanges in the United States traded shares with a total value of \$187.2 billion.

Phenomenal Growth

The growth of trading has been nothing short of phenomenal. A recently issued report, "The Commodity Futures Industry Association," (like the 1977 figure, an estimate by the Futures Industry Association),

The Chicago Board of Trade, the largest commodity futures market in the world, traded more than 2 million contracts in 1977, a 20-percent increase over 1976 and 74 percent better than five years earlier.

Other futures exchanges in the United States — the Chicago Mercantile (the Merc) and New York Commodity Exchange Inc. (the Comex), are next in size — record similar growth records.

At the Merc, 7.8 million contracts changed hands last year, up from 6.2 million in 1976, and the Comex had 5.6 million transaction moves across its trading rings, up from 5.5 million a year earlier.

Frantic Rush

Part of the growth is due to the steady flow of new futures brought into the markets — they range from live cattle to U.S. Treasury bills — but it is also due to the frantic rush of capital all over the world searching for havens from real or anticipated threats, or succumbing to the siren call of the fortunes that have been made (and many have been lost) in amazingly short periods of time.

Trading in commodity futures is not for the fainthearted. (Its participants refer to the markets as "futures," to distinguish it from trading in actual commodities which is called "cash" or "spot" trading.) Relatively small (and frequent) price changes can create or wipe out mountains of money.

Frantic trading, low cash requirements, high leverage and almost instantaneous reaction to news developments (or rumors) make the futures market a place for those who can devote the time, who have the nerve and, above all, who have the capital to withstand the buffeting that is an integral part of every trading day.

Freewheeling

Organized futures trading in the United States began on April 3, 1848, with the founding of the Chicago Board of Trade. Not until 1865, however, was the CBT issued its first set of rules to begin trading in futures.

The first futures trade took place on Oct. 17, 1865. The rules set up then have been adapted over the years, but the basic structure — freewheeling market with trader hanging over circular railings and shouting bids and offers at each other — remains.

(Continued on Page 8)

Other Metals Picking Up New Sparkle in Gold Rush

Gold

NEW YORK (IHT) — Trading in gold — and, to a lesser extent, in silver — is less a business transaction than a barometer of human emotions and expectations. While both have industrial uses, their chief contribution over the years has been to provide a haven for nervous money.

The constantly changing economic and political climates around the world remain the predominant stimulus for activity in futures and in cash trading of gold and silver. And the precious metals are attracting greater numbers of investors.

By nature of their historic roles as monetary metals, gold and silver will likely continue to reflect the fears, hopes and anticipations of the wealthy and the not-so-wealthy all over the globe.

In most of the world, gold has been a favorite investment for centuries. Its use, along with silver, as a hedge against inflation was felt most dramatically beginning in the mid-1960s. In the United States, gold trading was banned for 40

years, until the prohibition was lifted on Dec. 31, 1974. To Europe, conversion of paper currency into precious metals at times of rising commodity prices and general uncertainty has long been a common practice.

American Interest

The legalization of gold trading in the United States did not stir much interest at first, but Americans have been coming to the metal recently. Analysts say the debacle of the dollar on foreign currency exchanges, the apparently incurable inflation, climbing interest rates and a loss of confidence in government and other institutions have been the major reasons for gold buying by Americans.

Most of all, the assault on the U.S. dollar brought gold to the American public eye. While the United States is still a reluctant participant in gold investment, the market for gold is picking up. Even now, as the dollar has, at the least, slowed its descent and the stock market

has staged its best rally in years, liquidation of gold has occurred only in short spurts. It is always followed by new buying surges. (The hesitant selling of gold probably is the best indication that people around the world doubt that their economies can now make substantial and sustained improvement.)

The monthly gold auctions conducted by the International Monetary Fund and the recent sales by the U.S. Treasury were expected to exert downward pressure on gold prices. But they seem to have had the opposite effect. Bids at these auctions, for silver as well as gold, have been very close to market prices, giving the public appraisal a sort of official imprimatur.

Industrial Use

In addition to the speculative demand, industrial use of gold and silver has also been on an upward track. Accelerated jewelry purchases

(Continued on Page 10)

Metals

NEW YORK (IHT) — The fighting in Zaire pushed copper to prominence in the metals markets last month. The oversupply of copper, which has kept prices soft and traders uninterested, was overshadowed by the warfare that threatened to close off one of the world's major sources of the metal.

Copper trading on New York's Commodity Exchange Inc., the premier market for the metal, soared to 133,745 contracts in May, a 19-percent jump over the same month last year. The trading, which included a one-day record of 12,580 contracts on May 26, brought the total for the year so far to 529,986 contracts, slightly ahead of the totals in the first five months of last year.

The Zaire fighting gave the copper market a buoyancy it has not had in a long time, but there were other factors helping the market. The trading floor heard rumors that the United States will soon buy 225,000 short tons of copper

for its stockpile. In addition, declines in warehouse stocks for both the Comex and the London Metal Exchange have brought some buyers into the market.

Kennecott Copper Corp. recently surprised the copper markets with the announcement of a new pricing system. The formula is based on closing prices on the Comex, with 2½ cents a pound added on for delivery to U.S. points.

Boom Year

Platinum has been enjoying a boom year, thanks to the withdrawal of the Soviet Union as a seller in the world market. Platinum, traded on the New York Mercantile Exchange, was a star performer with 178,774 contracts traded in the first five months of this year, a resounding leap from the 46,705 contracts turned over in the same period of 1977.

Demand for platinum increased only 1 percent worldwide in 1977 and is expected to climb from 3 to

4 percent this year. Japanese demand for the metal has grown, and platinum sales to U.S. industry have also accelerated. Russia's ceasing to sell was clearly the biggest factor in the heavy trading volume. Market sources are not certain why the Soviet Union withdrew, and they say they do not know when it might put its platinum back on the market.

As platinum moved higher, palladium went along for the ride, as usual. Trading on the New York Mercantile Exchange in the first five months of this year was more than 700 percent ahead of the same period a year ago, with 23,584 contracts turned over.

Bearish Trend

On the London Metals Exchange, the chief market for lead and tin, the comparatively low price for lead — around 24 cents a pound compared with 31 cents at U.S. smelters — is causing some problems for the market. Some

(Continued on Page 10)

Commodities

Understaffed Agency Controls Helter-Skelter Traders

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NEW YORK (IHT) — In its latest annual report, the U.S. Commodity Futures Trading Commission devotes more than 150 pages to describing its efforts in 1977 to regulate commodity futures markets.

The report, written by William Bagley, chairman of the CFTC, with his fellow commissioners and staff, has not met with universal approval. Futures markets — and futures traders — have always been proudly free-running and helter-skelter. Critics of the commission charge it has gone too far. They say that the commission engages in "regulation for the sake of regulation."

The CFTC, the most active regulatory body in the commodity field anywhere in the world, oversees 165 active futures markets on 10 exchanges in the United States. Last year, these markets combined traded contracts for future deliveries of grains, soybeans, live animals, metals, currencies and other commodities with the astounding face value of one and one-quarter trillion dollars. The CFTC was hard put, to say the least, to keep up with the action.

There is little doubt in the minds of observers that U.S. commodity markets are the most regulated in the world. "There's no question about it," says Mark Powers, who heads the commodity department at the U.S. brokerage firm of Thompson McKinnon Securities and who until about six months ago served as the CFTC's chief economist.

Mr. Powers says he prefers Britain's less legalistic free-market attitude toward commodity trading regulation. Most of the overseeing by the British government is concerned with foreign exchange, while the commodity exchanges regulate themselves. Britain has been using the system for nearly 100 years. So far at least, it has worked well.

Britain's regulatory scheme may explain why more commercial business is transacted there than on U.S. exchanges that handle the same commodities.

The CFTC's Mr. Bagley does not dispute that fact, but he says the United States has a more public market than do most other countries. "One of the major concerns we have is the whole arena of customer protection," he says.

In a nation where securities markets are strictly regulated, he continues, "the public expects some regimen of regulation." He further notes that regulation is necessary so that U.S. commodity markets can be exempted from anti-trust laws.

Members of Congress apparently agree. The original legislation establishing the CFTC will expire at the end of September and the agency is anxiously waiting for Congress to pass legislation to extend its life. Earlier this year, there was some question as to whether the lawmakers felt that the commission was doing a good enough job to be allowed to continue. That seems to be settled now, and the major question remaining is whether the new legislation will give the CFTC four or six more years of life.

Under Authority

The CFTC, whose members admit it is understaffed and has a hard time keeping up with the sprawling market, has these exchanges under its authority:

- The Chicago Board of Trade, the biggest U.S. commodity market and the most active trading arena in the world. Along with the Chicago Mercantile Exchange, it accounts for almost 50 percent of all futures trading in the United States. The exchange is home for contracts in wheat, corn, oats, soybeans, soybean meal, soybean oil, live hogs, frozen pork bellies (bacon), lumber, gold, 90-day U.S. Treasury bills and, through its International Monetary Market subsidiary, a host of foreign currencies including the deutsche mark, the yen and the Swiss franc. Most currency markets, with the exception of the chronically weak Mexican peso, showed large increases in trading volume in 1977.

- The New York Coffee and Sugar Exchange trades, as its name indicates, coffee and sugar. The ex-

change has been the scene of some frantic trading in recent years as first sugar and then coffee were in short supply and prices shot upward.

- Commodity Exchange Inc. (the Comex), which likes to call itself the world's largest metals exchange, is the home of trading in gold, silver, copper and zinc, although the zinc contract once again being tried out has not generated any interest so far.

- New York Cotton Exchange. In addition to cotton futures, its affiliate exchanges trade in frozen concentrated orange juice and liquefied propane gas, and there is some trading in crude oil.

- New York Mercantile Exchange (the Merc), once known as the New York Butter and Egg Exchange, now houses trading in round white Maize potatoes, palladium, U.S. silver coins and imported boneless beef. It is also dusting off dormant contracts in foreign currencies and heating oil and has been discussing a contract in frozen french-fried potatoes. Three years ago, the N.Y. Merc was the scene of the biggest default in U.S. commodity trading history when thousands of contracts to sell Maine potatoes went unfulfilled. The episode, which has resulted in changes in trading rules and contract terms at the Merc,

A Glossary

Arbitrage: Simultaneous purchases and sales in different markets, or different futures, to capitalize on what appear to be temporary distortions in price. Mostly for professionals.

Bucket, bucketing: Accepting customer orders without executing them on an exchange; and the illegal use of the customer's margin money without disclosing such use.

Cash commodity: Actual physical commodities, as distinguished from futures contracts. Sometimes called spot commodities. They are traded in the cash market.

Clearing house: An organization set up by an exchange, through which transactions on that exchange are cleared and settlements effected. A clearing house operates in much the same manner as a bank.

Commodity Futures Trading Commission: An agency of the U.S. government that regulates trading on commodity exchanges. It is similar to the Securities and Exchange Commission, which regulates securities markets.

Contract: A unit of trading for a commodity future.

Contract grades: Those grades of a commodity that have been officially approved by the exchange for delivery in fulfilling a contract.

Contract month: The month in which delivery has to be made.

Controlled commodities: Also called regulated commodities. Those over which the Commodity Futures Trading Commission has regulatory control. The term has nothing to do with regulation prices.

Crop year: The time from one harvest to the next. For wheat, it is June 1 to May 31; for soybeans, Sept. 1 to Aug. 31, etc.

Default: Failure to make delivery against a contract, or to make payment when a commodity is delivered.

Depository receipt: A document certifying that a commodity is stored in a warehouse. In many cases, delivery of a receipt is as good as delivery of the actual commodity.

Evening up: Closing out positions by offsetting purchase or sale. The term is often used to describe operations of professional traders, who often even up before a weekend.

Forward market: Refers to informal trading (not on an exchange) of commodities to be delivered at a future date.

Fungibility: Interchangeability. All futures contracts are fungible because they must meet standard specifications.

Futures: Contracts for the delivery of a specific amount and grade of a commodity to be delivered at a future date.

Hedge: To protect against price changes. Hedging by producers of commodities is the prime function of the futures market.

Limit: The most the price of a commodity can go up or down in a single day. Limits vary, depending on the commodity, the volume of trading and other factors.

Liquidation: Closing out a position. Similar to evening up.

Margins: The collateral that must be deposited when buying a futures contract. It is not partial payment for the commodity itself.

Option: A contract that gives the buyer the right — but not the obligation — to buy or sell a specific commodity at a fixed price on or before a preset date. The person who sells the option is called a writer.

Open interest: The total number of contracts outstanding in a particular commodity.

Round turn: A completed transaction, both purchase and sale, of a contract.

Speculator: A person who trades futures contracts for any purpose other than hedging. Speculators are the commodity markets' day in, day out traders.

Trading limit: Maximum amount of a commodity that can be bought or sold by one person in one day. There are also limits to the number of contracts any individual can hold, set by the Commodity Futures Trading Commission.

Visible supply: Reported each Monday it lists the amount of grain in storage at 21 leading locations in the United States.

—P.G.



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Market With a History of Creating Losers

By N.L. Bacon

NEW YORK (IHT) — During the past few years, the general performance of the commodities market has involved considerable risk, albeit the chance to bring about large gains.

Gold prices have appreciated from \$40 per troy ounce to a high of \$200 and declined from those lofty levels to a paltry \$100 before rising again to \$190 an ounce. Silver and platinum prices have seen similar fluctuations, but have reached their record high prices in London due to changing currency values.

Even more impressive are the price movements experienced in the soybean market. During the last three completed crop years, 1974-75, 1975-76 and 1976-77, the high and low prices for the nearest futures contracts were respectively \$5.50-\$4.75, \$7.60-\$4.40, and \$10.70-\$6.10 per bushel. Since each one-cent fluctuation means \$50 per futures contract, the amount of money changing hands is enormous.

The number of contracts traded on organized exchanges has increased as new markets have been added and potential for price movement improves. Each crop brings a new situation, and each year brings a new set of influences on industrial commodity prices.

While producers of certain commodities are protecting themselves from potential losses from falling prices, consumers are protecting themselves from rising prices. But to whom will the producer sell if the consumer finds the outlook for prices negative, and who will assume the risk of carrying the product until the consumer changes his mind? Answer: the public speculator who is willing to pit his judgment against the producer and consumer and who is able to incur losses with a high degree of equanimity — because the commodity market has a history of creating losers.

People on every continent have become speculators — some say there are too many. This increased interest in speculation evolved because of the phenomenal price changes seen in the 1970s, at a time when traditional investment vehicles proved incapable of matching the rise in structural inflation. The availability of information concerning commodity prices and price influences is greater than at any time in history, and this too has affected

the number of speculators. And too, there has been an increase in the number of people spreading the gospel of the market's potential, people who expect to receive a commission from the participation they may generate.

Professional Managers

The CEA study suggests the public does not stand much of a chance. However, the study was made before the professional management concept for speculative money received general acceptance. These professionally managed programs may be a mutual fund type, where monies are pooled and risks are thus spread through diversifica-

tion; they may be programs marketed by private consulting firms; or they may be an in-house operation offered by member firms of the world's major stock and commodity exchanges.

The programs are usually of two types, each with its own characteristics.

The first is completely mechanical, in which positions are entered into only after pre-set criteria are met. These mechanical systems disregard such fundamental factors as the size of the crop, inflation, changing currency values and the considerations of supply and demand. They guarantee market participation and result in a high level of activity. They offer the

greatest potential for gain at the expense of incurring the greatest risk.

The second type uses the mechanical or technical topics combined with a human evaluation of supply, demand, and the outlook for prices. These systems tend to be less active and more conservative in their approach to commodity speculation, but unlike the mechanical systems are subject to human error in analysis.

Whichever alternative is chosen by the speculator, performance records are available and should be considered required reading before speculative funds are committed.

Mr. Bacon is a commodity specialist in New York.

Commission), offers the same hedging opportunities as the futures markets.

The CBOE not only revolutionized stock trading, it probably saved the industry itself from a financial bloodbath. Since its inception, the options market has provided the revenue that has kept many brokers — and some exchanges — in business.

For most of its history, the futures market was largely unregulated. The Commodity Exchange Authority, an arm of the Department of Agriculture, was established in the 1930s, but its powers were limited.

In 1975, the CEA's functions were taken over by the Commodity Futures Trading Commission, patterned after the SEC (and headed by a former SEC chairman). The CFTC, however, is badly understaffed and has been unable to exert much authority over the industry.

Although many people are frightened by commodities trading, the markets are continuing to grow at a rapid rate. The chances are that their attraction will get stronger and stronger as long as the world continues in its current tumultuous state.

but they end up with a profit because they cut the losses quickly and hold on to profitable positions. The majority of unsophisticated public customers, they say, do just the opposite, holding their losses in the hope that prices will recover and they wind up even further in the red.

The nerve-wracking pace of futures trading has kept most people away from the markets. While more than 26 million Americans own stocks and bonds, most estimates put the number of commodity traders at around 500,000.

Precise figures are impossible to calculate because only those making big trades are reported to government agencies, and brokers are not anxious to disclose the number of accounts they carry.

The Futures Industry Association estimated that trade sources, the producers and users, account for about 55 percent of annual volume in the futures market and the speculators, both professional and public, make up about 45 percent.

Because of a constant overlapping — trade sources often speculate during the life of a contract and speculators sometimes have an interest in industrial users of producers — the breakdown is at best simply an educated guess.

—P.G.

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Third World Seeks Ways to Assure Resource Prices

NEW YORK (IHT) — In a period of declining prices, however short, the efficacy of the forward markets in London and the futures markets in the United States for several commodities is being questioned by producers, whether Third World members or private concerns.

Proponents of the futures concept point to the U.S. onion market and are quick to show that prices have fluctuated at least twice as much since futures trading was started as they had while futures trading was being conducted.

They are also quick to point out that both producer and consumer have been hurt, since neither has had the opportunity to transfer the risk of ownership and "hedge" himself against adverse price fluctuations.

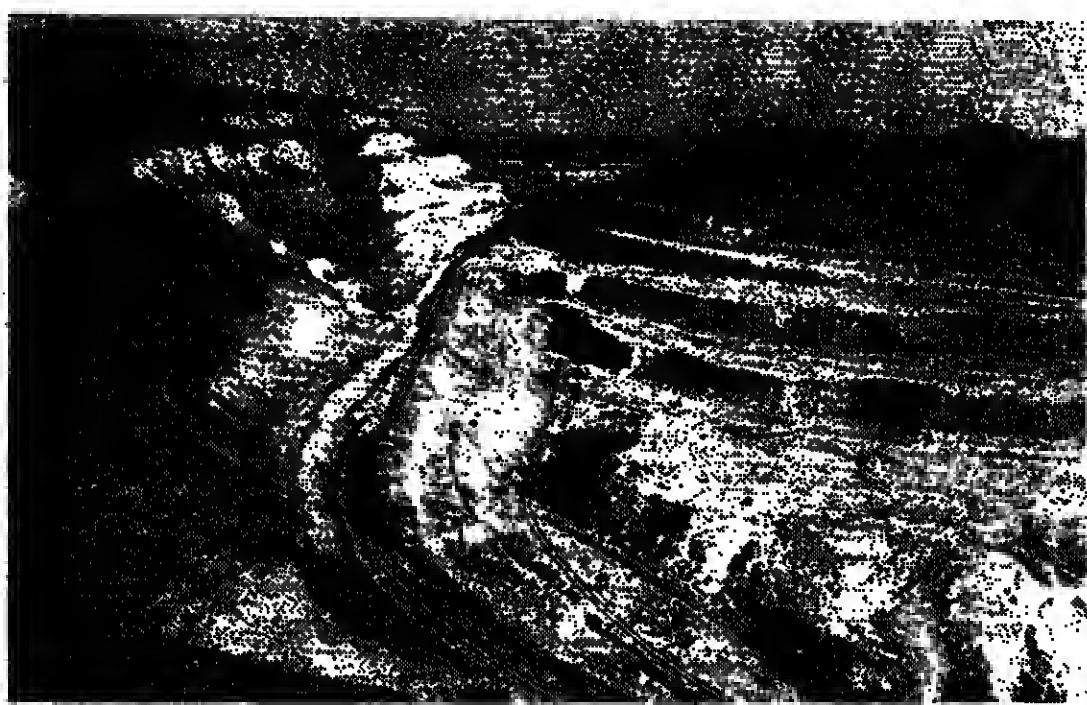
Importance

How important are these organized markets in such things as coffee, sugar, wheat and corn that they evoke such strong and vocal responses?

In 1977, Zaire exported \$988 million worth of goods with copper contributing \$414 million or 42 percent of the total.

Brazil exported \$12.14 billion, of which \$2.3 billion (19 percent) came from coffee, \$435 million (3.5 percent) came from cocoa, and \$32 million (2.7 percent) came from sugar.

In 1976, Ghana exported \$804 million worth of goods, of which \$92 million or a whopping 11.3 percent came from sales of cocoa.



Recent fighting in Zaire focused world attention on copper mines such as this.

By contrast, in the same year the United States exported \$120.2 billion, of which only \$4.4 billion came from soybeans — the largest U.S. agricultural export; \$4.1 billion came from corn and \$2.7 billion came from wheat. The United States also exported \$5.5 billion worth of construction machinery, \$4.7 billion worth of civilian aircraft and parts, large quantities of military hardware; to Canada alone were exported \$7.1 billion worth of automobiles and parts.

Clearly, those agricultural and natural resource-oriented commodity markets are of greater importance to the emerging nations than to the higher technology nations such as the United States, Japan, West Germany and France.

Cartels

Attempts have been made to form cartels among producer nations similar to the Organization of Petroleum Exporting Countries.

but because no singular commodity is as necessary as oil to the industrialization of the world, no other cartel has been as successful.

There is an Intergovernmental Council of Copper Exporting Countries, but copper prices have been depressed as world inventories have burgeoned.

Negotiations are in progress to create an International Wheat Agreement and an International Sugar Agreement. An International Tin Council exists but so far it has been ineffective.

A major reason these non-oil cartels are virtually doomed is that in almost each case the United States, the world's greatest consumer, is

among the world's top producers. In cases where this is not so, the producers are either fragmented or are in such poor financial shape that they must produce and sell in order to earn the export credits and foreign exchange necessary to repay existing international debts.

Two years ago, while the world economies were in the throes of the worst recession since the Depression, Zaire fell behind in payments to a consortium of Western banking interests. The nation was in arrears on \$500 million worth of loans.

Peru, another copper exporter, devalued its currency not long ago in accordance with International Monetary Fund preconditions for standby credits. That country expected to use copper export revenues to service \$5 billion in debts incurred since 1969, but a poor copper market since 1975 is severely undermining Peru's ability to meet its financial commitments.

Hardship stories abound and find sympathetic ears among Third World nations whose own future may well depend on prices received for non-renewable resources.

The Speculator

In many cases, the low prices and unprofitable operations are blamed on the consuming nations; where forward and futures markets are available, the onus falls on the speculator.

It is the speculator, Third World members reason, who sells something he does not own and forces down the price to the detriment of those countries that produce the material. It is the speculator who hoards raw materials in times of shortage and interferes with the orderly marketing of newly produced material when shortages subside.

However, it is often the speculator who, by purchasing when consumers will not, finances the operations of the producer and also provides liquidity to an otherwise stagnant situation.

Forums

Arguments for commodity agreements, grain reserves and buffer stocks are being heard in international forums like the U.N. Conference of Trade and Development (UNCTAD).

Proposals are being offered that optimally would reduce price fluctuations for agricultural products and major elemental materials.

Such proposals, it is felt, would help Third World members forecast their foreign exchange receipts and requirements and thus aid their emergence into the developed world.

—N.L.B.

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Oil: A Future for Futures?

By Martin Barolsky

NEW YORK (IHT) — With more than half a billion dollars a day changing hands in today's international crude oil market, it is only natural that futures traders have been trying to get a piece of the action.

But the few attempts to establish a futures market in oil since the Arab oil embargo and the Organization of Petroleum Exporting Countries price revolution that followed it have been dismal failures. Trading in crude oil futures never reached significant levels. And trading in futures for refined oil products — with the exception of propane, an already established futures trade in the United States — hardly fared better.

Once again, however, a New York exchange is shortly to try to revive oil products futures. And so the questions arise: Why has the oil futures market proved so sterile to date? What chance is there for any improvement?

Saudi Control

For crude oil, at least, the failure is attributable both to the structure of the international oil market, dominated by the OPEC cartel, and to the habitual attitudes and practices of oil companies. Commodity experts may argue that these obstacles are more psychological than real. But even so, they have so far succeeded in inhibiting oil futures.

There is no disputing OPEC's fundamental power to control the basic levels of crude oil prices. That power derives directly from Saudi Arabia's unquestioned ability to boost or cut back drastically its

own enormous oil output to maintain prices against market pressure. It can do so without any regard for its own very limited need for oil revenue. Thus the Saudis can provide price protection up and down the scale in support of nearly any given price they may fix.

Still True

This is true even in today's probably temporary state of global oil surplus. The Saudis' own "official prices" have remained basically firm. And their oil company partners and customers, determined to maintain the goodwill of a supplier who will be increasingly important in the future, are unwilling to cut prices blatantly even on "distressed" surpluses.

Nevertheless, "softened" oil prices have become more flexible over the past year. Oil companies are now able to disguise price trimming, even for Saudi oil, through limited supply swaps or through the third-party market, with the help of independent brokers.

More blatant price cuts have been forced on other OPEC members, whose need to maintain output and hence revenue to support large, impoverished populations gives them less clout.

Bait Untouched

Such price variations, even if only a few percentage points of the total, ought to be enough to sustain an ongoing futures market, commodity experts assert. The huge price swings that can add spice to other commodities' trade really are not needed.

Nevertheless, oil companies have

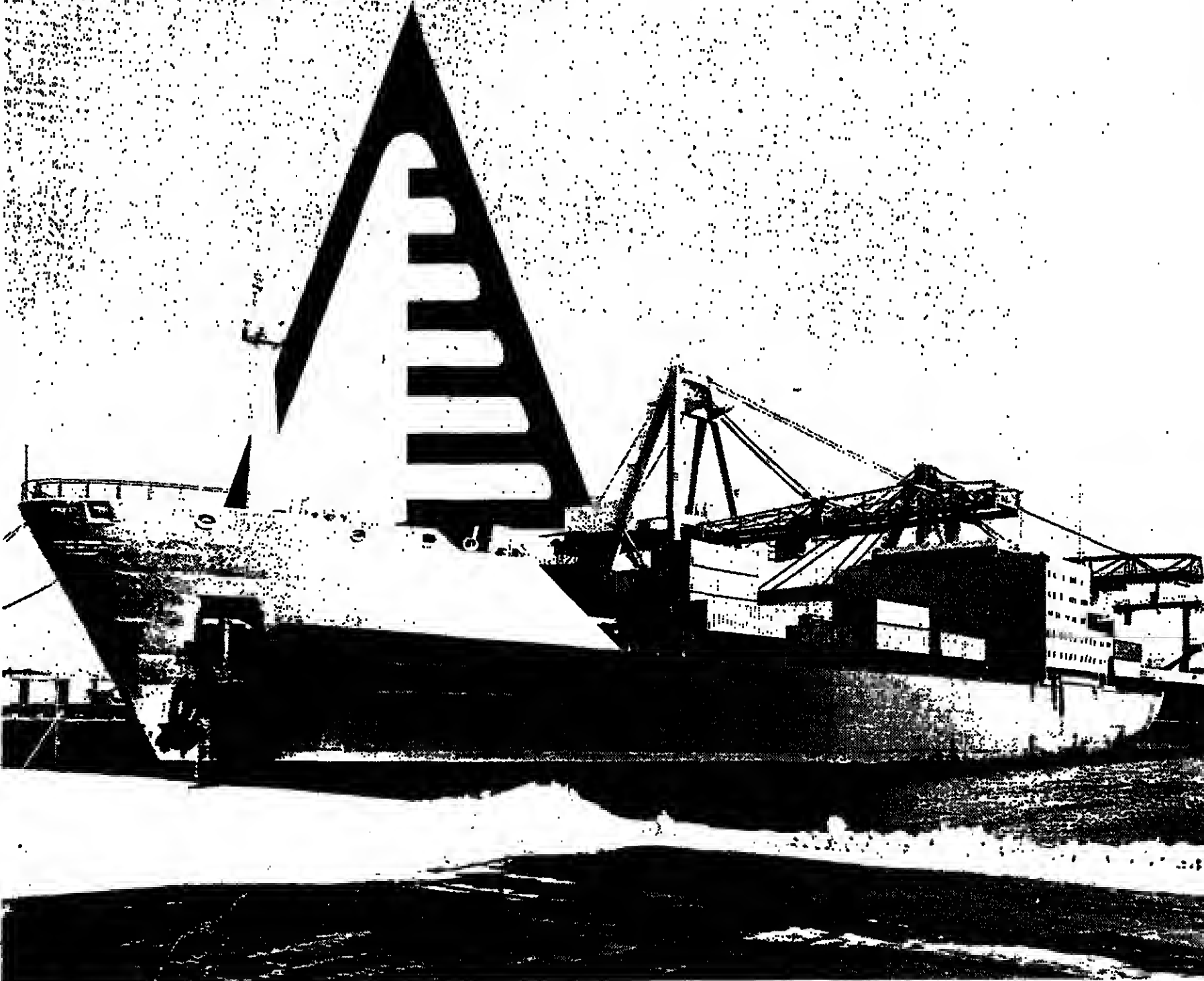
not risen to the bait, despite the real attractions of commodity-style hedging. Why? The attitudes of oil industry executives are one of the reasons. The executives see themselves as participants in responsible manufacturing enterprises, not as financial speculators. And they place a high value on the personal relationships they develop in direct business dealings, relationships that would go by the board to the anonymity of the commodity trading floor.

Equally important is that crude oil, unlike most other traded commodities, is far from a "fungible" (easily interchangeable) material with one or a few types. Rather, crude exists in a bewildering variety of grades, while commodity trading demands standardization.

Trying to skirt some of these difficulties, the New York Mercantile Exchange plans to offer shortly new futures contracts in refined oil products — fuel oil and distillate heating oil of the specified grades required in the large New York market — instead of crude. The Merc's reasons are that big end-users, such as electric utilities, are increasingly hungry for the price protection that hedging affords and that fuel suppliers, in today's depressed buyer's market, may now be interested, too. The Merc blames the failure of its earlier fuel dealings on the fact that they were earmarked for Rotterdam delivery and in European grades, shutting out potential U.S. interest.

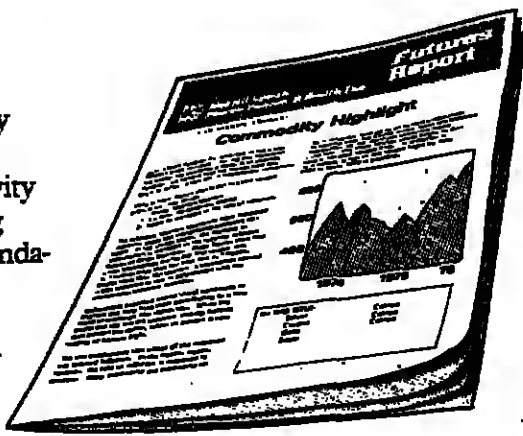
Only time will tell if this new approach can overcome the habitual indifference of the oil industry to the commodities-trading approach.

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Bull Market in Live Cattle Is Expected to Continue

NEW YORK (IHT) — A relative newcomer, the futures markets in live cattle, has become one of the world's most active markets. Prospects are that volume will continue to expand.

In addition to live cattle, the Chicago Mercantile Exchange has facilities for trading in live hogs, and these two markets account for a major share of trading there.

The activity in cattle and hogs has reflected growing acceptance of the role of livestock futures as a hedging medium. They have largely eliminated the guesswork of marketing live cattle and hogs for ranchers, feedlot operators and shippers.

The markets have also been helped by various seminars and other educational efforts by exchanges, universities and leading brokerage houses.

High Prices

Also, it is axiomatic that markets in an upward price cycle tend to attract greater speculative participation, and recent weeks have witnessed new life-of-contract high prices for both cattle and hogs. Usually, the broader the speculative base, the more viable the market becomes for hedging.

The demand for beef has been holding at a high level, despite substantial price advances, and a well-maintained demand is anticipated over the balance of the year, helped by high employment and incomes.

In addition, a potent factor in the strength of futures has been the inflationary pattern and the belief that commodities are an attractive protective purchase.

Psychological Impact

Carter administration action in permitting the importation of an additional 200 million pounds of beef this year will have a psychological effect rather than any lasting impact upon beef prices.

Some momentary hesitance or weakening in prices is anticipated, but the longer-range outlook is for continued firm-to-strong prices in view of a tightening overall beef supply.

The additional import allowance will provide approximately one extra pound per capita over the remaining months of this year — hardly a panacea — and the result could be to discourage domestic producers with a consequent brake upon, and possible reduction in, marketing.

Recurring talk of possible price



Pork belly pit in Chicago Mercantile Exchange.

controls appears hardly likely to become a factor. This can occur only by an act of Congress, and many congressmen strongly oppose such controls.

The live hog market has borrowed much of its strength from

the action in cattle in the belief that the sharper rise in cattle values will tend to accelerate consumption of pork products. However, the climb in pork prices has been tempered by the expectation of a modest climb in pork production during

the last six months of this year.

As a result, the upside potential for live hog prices is hardly as promising as in cattle, and difficulty may be experienced in sustaining further advances from recent levels.

Trading in live cattle on the Chi-

cago Mercantile Exchange during the first five months of 1978 reached 2,060,000 contracts, one side only, compared with 1,275,000 for the corresponding 1977 period and 2,640,000 contracts for all of 1977. Trading in cattle has been ex-

ceeded only by soybeans and corn. Hog trading for the same five-month period drew 850,000 contracts in contrast with 504,000 for the same period last year and 1,308,000 contracts for the full year.

Autumn Frost Is Big Unknown in Grain Markets

Export expectations for wheat, corn and soybeans are generally on the optimistic side because of prospective demand for feedgrains from Socialist countries trying to upgrade their citizens' diets.

NEW YORK (IHT) — Supplies and prices of corn and soybeans are never easy to predict — that may be a major reason for the existence of a futures market — and this year forecasting is even more difficult.

In its report on April 1, the U.S. Department of Agriculture projected plantings of 80.2 million acres of corn in the United States this year, a 3-percent decline from 1977. Soybean plantings were projected at 63.7 million acres, up from 59.1 million a year ago.

Both forecasts are open to question, though, because of heavy rains in the Midwest that delayed plantings and could cut into supplies in the fall. One respected private forecaster, for example, says there will be only 77.8 million acres of corn and 63.2 million acres of soybeans planted this year. (Soybeans are planted later than corn, so some corn acreage may be turned over to soybeans because

the farmers were not able to get their corn into the ground early enough.)

The big question raised by the spring rains, though, is whether either crop will be ready for harvest before cold weather begins in the fall. The possibility of frost trimming the crops is likely to be the big unknown in this year's grain markets.

and the best growing conditions, range from 5.5 billion bushels to 6.7 billion. Price projections, also based on the best and worst possibilities, go from \$1.90-\$2 a bushel to \$2.40-\$2.60 a bushel. (Corn production in the 1977-78 season was estimated at 6.357 billion bushels, with an average price of \$2.05.)

U.S. farmers are expected to harvest from 1.61 billion to 1.9 billion bushels of soybeans, with a much

wider range of possible prices — from \$5-\$5.50 with good weather to \$7-\$7.50 a bushel if the unfavorable conditions should prevail.

Export expectations for wheat, corn and soybeans are generally on the optimistic side because of prospective demand for feedgrains from Socialist countries trying to upgrade their citizens' diets through higher meat consumption. Cool, wet conditions in the Soviet Union delayed plantings there, too, this year.

Brazil has been a major competitor of the United States in soybean markets in recent years, but the rivalry is likely to be more muted this year because of a drought in Brazil that cut the crop back to something between 8.5 and 9.7 metric tons. In 1977, Brazil turned out 12.2 metric tons of soybeans.

Total U.S. wheat production for this year is projected by the De-

partment of Agriculture at 1.6 to 1.92 billion bushels, compared with a 1977 output of 2.03 billion bushels. Market observers expect prices to range from a low of \$2.25-\$2.75 a bushel to a high of \$3.25-\$3.75 a bushel. Wheat markets move higher this spring, but the only apparent reason was the strength shown in soybeans and corn.

After a slow start this year, grain markets picked up and trading volume has moved well ahead of the 1977 pace. For the first five months of this year, the Chicago Board of Trade turned over 2.6 million corn contracts, up from 1.77 million in the same period last year. Wheat contracts came to 956,719 in the first five months, compared with 713,051 last year. Soybeans, the most heavily traded of any U.S. commodity, had a decline of 6 percent in volume, to 3.6 million from nearly 3.9 million in the first five months of 1977.

Not Surprising

It should not be surprising, then, that corn and soybean futures soared to new contract highs recently on the Chicago Board of Trade. Typical of futures markets, though, prices began to recede as soon as warm, dry weather moved into the growing belt, allowing farmers to make up at least partially for their much-delayed seeding operations. Corn futures for delivery in July have been in the area of \$2.60 to \$2.65 a bushel, while July soybeans have been around \$7 a bushel.

Anticipated production of corn this year, assuming both the worst

Copper, Platinum Doing Well

(Continued from Page 7)

sources say that about 20,000 tons of lead are now flowing into the United States. Producer inventories — approximately 40,000 tons — are more than double what they were a few months ago, and shipments were off about 3 percent in the first quarter of the year. These factors point to a bearish trend developing in lead prices.

The Comex is trying to resurrect trading in zinc and has introduced

a new contract, but so far it has not drawn much response from traders. Analysts say that there is so much of the metal around that producers and users find little reason to hedge their positions to protect against loss. Trading in the new contract, which began on Feb. 8, is averaging only eight contracts a day.

There is also an overhang of about 1.3 million tons of zinc in the Western industrial world, which

market analysts say is about double the normal level. The U.S. International Trade Commission recently rejected a zinc industry bid for tighter controls on slab zinc imports. The ITC decided, by a five-to-one vote, that imports were not a threat to domestic producers.

Spotlight

Metals futures trading generally has picked up on organized markets, thanks to the spotlight brought to them by the rush into gold.

There has also been more trade interest in metals because their former performance has come in the face of sluggish activity in other commodities, such as cotton and sugar. Analysts also point out that in view of the dullness of the stock market until its big rally in mid-April, traders looking for promising situations tended to drift toward metals markets.

Precious Metals

(Continued from Page 7)

ing has been a bulwark for gold prices in the industrial markets. By and large, world gold demand has been reflected in the level of activity in gold futures on U.S. commodity exchanges.

In late 1977 and early 1978, market observers say, rising demand for gold futures prompted a heavy buildup of U.S. gold inventories. It mirrored a significant expansion both in speculative and long-term investor holdings at a time when the dollar was touching new lows. Gold futures trading in this period nearly tripled against figures for the same period last year.

The most recent monthly figures for gold trading on the Commodity Exchange Inc. show that 171,596 contracts were turned over in May, compared with only 49,252 contracts in the same month of 1977. From January to May, 1,017,426 contracts were traded, up from 307,819 in the first five months of last year.

Kept Pace

Silver trading, meanwhile, has generally kept pace with the levels of 1977. Combined silver volume for the Comex and the Chicago Board of Trade in May was 386,603 contracts, down from 410,161 a year earlier, and 467,743 in April of this year. Lagging industrial demand earlier this year accounted for the sag in trading.

Silver dealers say demand remains strong and at least one has forecast a world supply deficit of 50 million ounces this year.

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Euromarket

Terms on Floating-Rate Notes Set New Low for Yield to Investors

By William Ellington

LONDON, June 25 (AP-DJ) — At a time when the fear of an impending "credit crunch" is haunting some U.S. bankers and economists, the Eurobond market is still feeling the effects of excess dollar liquidity held by institutions outside the United States.

A continuing buildup of dollar balances by these institutions was cited by Eurobond experts as the main reason for an abrupt narrowing of the interest margins for floating-rate notes (FRNs) issues.

Credit National, the French state lending agency, disclosed plans last week to offer \$75 million of 10-year FRNs with the interest fixed twice a year at one-eighth of the point above the London interbank offered rate (Libor) for six-month Eurodollar deposits. Although the notes are government-guaranteed and hence have a top credit standing, few observers had believed that margins for FRNs would ever drop below a quarter point.

The breakdown was set in the \$100-million, eight-year FRN offering of the state-owned Offshore Mining Co. of New Zealand, whose terms effectively represented the first blow to the quarter-point interest-rate structure. These government-guaranteed notes bear semi-annual interest fixed at a quarter point above the average of the bid and offer for six-month interbank deposits. Since the normal spread between the bid and offer is one-eighth of a point, the effective margin above Libor should work out to three-sixteenths of a point. However, if spreads between the bid and offer rates widen to a

half point, as they did in 1974, then the FRN margin above Libor would be zero.

In any case, these two offerings have set a precedent in that they not only represent the most unfavorable terms to investors yet seen for FRNs, but they also come close to representing the cheapest terms yet seen for a medium-term Eurocurrency bank loan to a sovereign borrower.

Also on offer are:

- \$25-million, five-year notes for Arab International Bank, bearing semi-annual interest at the higher of either 6.5 percent or 0.375 points above Libor.

• \$20-million, five-year FRNs for the Banque Nationale de l'Afrique Occidentale with interest at the higher of either a quarter point above Libor or 6.5 percent.

Still in the market is a \$30-million, seven-year FRN of Ljubljanska Banka, which is paying one point above Libor or a minimum of 7.75 percent. A specialist in this sector said at least another five or six FRNs are under preparation, including one for Banco de la Nación of Argentina.

Many bankers contend that the overall market will stay very liquid despite a tightening of U.S. credit conditions because it will be continually fed by the U.S. current-account deficit which was running at a 27.8-billion annual rate in the first quarter.

While institutions appear to have plenty of cash available they have been notably reluctant to commit the funds to fixed-rate dollar debt issues, even those with short matu-

U.S. Commodities

NEW YORK, June 25 (AP) — After topping to their lowest prices since early March, hog futures rallied this week to respond to a government report indicating farmers have been reluctant to increase pork production. Cattle futures also benefited from the outlook for smaller red-meat supplies, leading the L-5 cent daily limit during the fiscal session.

Nevertheless, most livestock contracts wound up with net losses. Analysts said futures were depressed by the state of cash markets, where live animals fetched sharply lower prices than a week earlier and wholesale cuts were down about 5 cents a pound.

As a result, hog contracts for delivery this summer sagged 1.4 to 2.82 cents a pound and cattle futures finished 1.25 to 2.55 cents lower. Hog contracts for delivery beginning in the fall, however, eked out slight gains.

Pork belly (bacon) contracts on the Chicago Mercantile Exchange were especially off, after a huge increase in stocks and sluggish consumer demand. Nearby months lost as much as 6 1/2 cents a pound, topping to their lowest levels since last year.

Still, the highlight of the week was the abrupt reversal of this month's sharp downturn in livestock futures. And the turn-around was the direct result of the Department of Agriculture's quarterly pig crop report.

Besides showing that pig and hog inventories were only 1 percent higher than last summer, the report said producers intended to breed only a few more sows than they did at this time last year.

Meanwhile, soybean prices scored good-sized gains in contracts for 1978 deliveries, but nearby months were just a shade higher on the Chicago Board of Trade.

An industry report said that, although processors crushed more soybeans last month, the soybean products were being consumed at an even greater rate.

Another industry group estimated that soybean farmers had planted 61.4 million acres this year. Since the acreage was less than most experts had been guessing, it prompted buying in 1978 crop months.

While Eurodollar note prices fell around 0.75 points this week, pushing yields up by around a quarter point, the note market was still out of line returns available on medium-term certificates of deposit (CDs).

Eurobond Yields*
Week Ended 21.6.1978
U.S. Dollars

International institutions 8.35 %

Industrials, long term.... 8.74 %
Industrials, medium term 8.82 %
Canadian dollars, medium term 9.16 %
French franc, long term 10.40 %
Unit of acc. long term 7.70 %
* Calculated by Luxembourg Stock Exchange

Market Turnover
Week Ended 21.6.1978
(Millions of U.S. Dollars)

	Total	Domestic	Non-domestic
Cedel	941.7	779.5	162.2
Eurocl.	1,864.7	1,536.3	328.4

The U.S. Economic Scene

New Lockheed Chief Faces Tough Mission

By Thomas E. Mullany

NEW YORK, June 25 (NYT) — Roy Anderson is a man with a mission — a tough one — and he has no illusions about its scope.

Nine months ago he was given the task of regenerating the Lockheed Corp. The assignment was made when a caretaker regime was beginning to turn the aerospace company around after dislodging of extensive involvement to foreign-payoff scandals and business setbacks that had necessitated a federal guarantee for \$250 million in loans.

Mr. Anderson was in the East earlier this month to seek new business with such customers as Pan American World Airways, Trans World Airways and Air Canada, and to spell out Lockheed's progress along the comeback route to bankers and other interested parties.

"Compared with where we were at the end of 1974 and 1975," he said in an interview here, "we have made a lot of progress, but we realize our sales will probably be flat this year and for 1979. We'll be in a holding pattern and, we hope, the situation will be so changed that our shareholder equity will be larger than our debt, and we'll be in a position where we won't have to take every buck we earn to pay off debt, and be able to expand into new lines."

Morale Rebuilt

Mr. Anderson, 57, was appointed to the senior Lockheed post last fall, after he had helped Robert Haack, interim chairman for two years, maneuver the company away from some highly treacherous financial shoals and rebuild company morale, which had been shat-

tered by the forced resignation of the previous chairman and the president.

Mr. Haack and Mr. Anderson eliminated the \$250 million federal

loan guarantee that was provided to 1971, substantially reduced the company's heavy debt burden and negotiated a private financing package.

New York Stock Market

By Vartan G. Vartan

NEW YORK, June 25 (NYT) — The stock market continued to give ground last week as it was hit by rising interest rates and growing skepticism as well as new postwar lows for the dollar against the yen. As a result, the popular stock averages sank and so did the broad list of common stocks.

The Dow Jones industrial average dropped 13.95 points to 823.02, after moving down 22 points the previous week. Volume on the New York Stock Exchange fell to 138.24 million shares from the previous week's 154.4 million. On Friday, turnover on the Big Board reached the 2-billion-share mark for trading in the second quarter, the first time so many shares have changed hands in a three-month period.

Interest rates kept going up last week, which caused many investors to shy away from buying more stocks. But the market's action centered on the risky sector of casino issues, which registered some startling gains. In the postwar years, speculative feds have blossomed and caught the public's fancy. Recently, the allure has concentrated in visions of blackjack, slot machines and other games of chance. By all odds, the most spectacular winner is Resorts International, formerly the Marty Carter Paint Co. Nearly a decade ago, the stock sold at \$61 and then hit the slides, sliding as low as \$1 a share four years ago and \$2 a share two years ago.

Last month, Resorts International opened a casino in Atlantic City, N.J., the first legalized gambling establishment outside of Nevada. That, the sentential speculators and various other people into a state of excitement, as evidenced by the fact that its Class A shares finished Friday at 83, its record price. Net gain for the week was 27 points, which came on top of more than 15 points the previous week.

On the Big Board, meanwhile, other stocks associated with the casino group moved up in price. These included Harrah's, Del E. Webb, Bell Manufacturing, Playboy Enterprises and Metro-Goldwyn-Mayer.

Rates on six-month Treasury bills reached their highest levels in three-and-a-half years. The average rate on these bills, which also determines the yield on the new savings certificates offered by bank and thrift institutions, rose to 7.23 percent at the latest auction from 7.12 percent in the previous week's sale. This represents the highest rate on these short-term securities since December 1974.

With that short-term problem solved, Mr. Haack turned the company reins over to Mr. Anderson, a 20-year veteran in numerous Lockheed financial assignments who had previously been vice chairman. Early in his career, the California native served in executive positions at the Westinghouse Electric Corp. and the Ampex Instrumentation Products Co. After receiving his bachelor's and master's degrees in accounting, economics and business administration from Stanford University.

Mr. Anderson said that three years ago Lockheed was saddled with \$900 million in debt, while its stockholder equity amounted to only \$27 million. Since then the debt has been halved, he said, and stockholder equity increased to \$220 million by the end of last year.

Earnings Doubled
To the meantime, thanks to its continuing contracts for aircraft, missiles and other products, and sizable commercial business holdings, Lockheed's earnings more than doubled in a four-year period, even though total sales remained around \$3.3 billion annually. But this year's profits have been severely affected by last fall's strike of 20,000 workers, Mr. Anderson said. He listed his major objectives: An expansion of the overall business, a further reduction of debt, a continued gain in stockholder equity and eventual resumption of dividend payments, which have been suspended the last eight years under restrictions in its lending arrangements. Throughout this decade, Lockheed has been under a financial siege as a result of cost overruns on several government

(Continued on Page 13, Col. 1)

Over-Counter Market

NEW YORK (AP) Weekly Over the Counter					SOLIS					SOLIS					SOLIS					SOLIS				
100s High Low Last Chg					100s High Low Last Chg					100s High Low Last Chg					100s High Low Last Chg					100s High Low Last Chg				
NEWYF.00	25	25	25	0	NEWYF.00	25	25	25	0	NEWYF.00	25	25	25	0	NEWYF.00	25	25	25	0	NEWYF.00	25	25	25	0
NEWYF.01	25	25	25	0	NEWYF.01	25	25	25	0	NEWYF.01	25	25	25	0	NEWYF.01	25	25	25	0	NEWYF.01	25	25	25	0
NEWYF.02	25	25	25	0	NEWYF.02	25	25	25	0	NEWYF.02	25	25	25	0	NEWYF.02	25	25	25	0	NEWYF.02	25	25	25	0
NEWYF.03	25	25	25	0	NEWYF.03	25	25	25	0	NEWYF.03	25	25	25	0	NEWYF.03	25	25	25	0	NEWYF.03	25	25	25	0
NEWYF.04	25	25	25	0	NEWYF.04	25	25	25	0	NEWYF.04	25	25	25	0	NEWYF.04	25	25	25	0	NEWYF.04	25	25	25	0
NEWYF.05	25	25	25	0	NEWYF.05	25	25	25	0	NEWYF.05	25	25	25	0	NEWYF.05	25	25	25	0	NEWYF.05	25	25	25	0
NEWYF.06	25	25	25	0	NEWYF.06	25	25	25	0	NEWYF.06	25	25	25	0	NEWYF.06	25	25	25	0	NEWYF.06	25	25	25	0
NEWYF.07	25	25	25	0	NEWYF.07	25	25	25	0	NEWYF.07	25	25	25	0	NEWYF.07	25	25	25	0	NEWYF.07	25	25	25	0
NEWYF.08	25	25	25	0	NEWYF.08	25	25	25	0	NEWYF.08	25	25	25	0	NEWYF.08	25	25	25	0	NEWYF.08	25	25	25	0
NEWYF.09	25	25	25	0	NEWYF.09	25	25	25	0	NEWYF.09	25	25	25	0	NEWYF.09	25	25	25	0	NEWYF.09	25	25	25	0
NEWYF.10	25	25	25	0	NEWYF.10	25	25	25	0	NEWYF.10	25	25	25	0	NEWYF.10	25	25	25	0	NEWYF.10	25	25	25	0
NEWYF.11	25	25	25	0	NEWYF.11	25	25	25	0	NEWYF.11	25	25	25	0	NEWYF.11	25	25	25	0	NEWYF.11	25	25	25	0
NEWYF.12	25	25	25	0	NEWYF.12	25	25	25	0	NEWYF.12	25	25	25	0	NEWYF.12	25	25	25	0	NEWYF.12	25	25	25	0
NEWYF.13	25	25	25	0	NEWYF.13	25	25	25	0	NEWYF.13	25	25	25	0	NEWYF.13	25	25	25	0	NEWYF.13	25	25	25	0
NEWYF.14	25	25	25	0	NEWYF.14	25	25	25	0	NEWYF.14	25	25	25	0	NEWYF.14	25	25	25	0	NEWYF.14	25	25	25	0
NEWYF.15	25	25	25	0	NEWYF.15	25	25	25	0	NEWYF.15	25	25	25	0	NEWYF.15	25	25	25	0	NEWYF.15	25	25	25	0
NEWYF.16	25	25	25	0	NEWYF.16	25	25	25	0	NEWYF.16	25	25	25	0	NEWYF.16	25	25	25	0	NEWYF.16	25	25	25	0
NEWYF.17	25	25	25	0	NEWYF.17	25	25	25	0	NEWYF.17	25	25	25	0	NEWYF.17	25	25	25	0	NEWYF.17	25	25	25	0
NEWYF.18	25	25	25	0	NEWYF.18	25	25	25	0	NEWYF.18	25	25	25	0	NEWYF.18	25	25	25	0	NEWYF.18	25	25	25	0
NEWYF.19	25	25	25	0	NEWYF.19	25	25	25	0	NEWYF.19	25	25	25	0	NEWYF.19	25	25	25	0	NEWYF.19	25	25	25	0
NEWYF.20	25	25	25	0	NEWYF.20	25	25	25	0	NEWYF.20	25	25	25	0	NEWYF.20	25	25	25	0	NEWYF.20	25	25	25	0
NEWYF.21	25	25	25	0	NEWYF.21	25	25	25	0	NEWYF.21	25	25	25	0	NEWYF.21	25	25	25	0	NEWYF.21	25	25	25	0
NEWYF.22	25	25	25	0	NEWYF.22	25	25	25	0	NEWYF.22	25	25	25	0	NEWYF.22	25	25	25	0	NEWYF.22	25	25	25	0
NEWYF.23	25	25	25	0	NEWYF.23	25	25	25	0	NEWYF.23	25	25	25	0	NEWYF.23	25	25	25	0	NEWYF.23	25	25	25	0
NEWYF.24	25	25	25	0	NEWYF.24	25	25	25	0	NEWYF.24	25	25	25	0	NEWYF.24	25	25	25	0	NEWYF.24	25	25	25	0
NEWYF.25	25	25	25	0	NEWYF.25	25	25	25	0	NEWYF.25	25	25	25	0	NEWYF.25	25	25	25	0	NEWYF.25	25	25	25	0
NEWYF.26	25	25	25	0	NEWYF.26	25	25	25	0	NEWYF.26	25	25	25	0	NEWYF.26	25	25	25	0	NEWYF.26	25	25	25	0
NEWYF.27	25	25	25	0	NEWYF.27	25	25	25	0	NEWYF.27	25	25	25	0	NEWYF.27	25	25	25	0	NEWYF.27	25	25	25	0
NEWYF.28	25	25	25	0	NEWYF.28	25	25	25	0	NEWYF.28	25	25	25	0	NEWYF.28	25	25	25	0	NEWYF.28	25	25	25	0
NEWYF.29	25	25	25	0	NEWYF.29	25	25	25	0	NEWYF.29	25	25	25	0	NEWYF.29	25	25	25	0	NEWYF.29	25	25	25	0
NEWYF.30	25	25	25	0	NEWYF.30	25	25	25	0	NEWYF.30	25	25	25	0	NEWYF.30	25	25	25	0	NEWYF.30	25	25	25	0
NEWYF.31	25	25	25	0	NEWYF.31	25	25	25	0	NEWYF.31	25	25	25	0	NEWYF.31	25	25	25	0	NEWYF.31	25	25	25	0
NEWYF.32	25	25	25	0	NEWYF.32	25	25	25	0	NEWYF.32	25	25	25	0	NEWYF.32	25	25	25	0	NEWYF.32	25	25	25	0
NEWYF.33	25	25	25	0	NEWYF.33	25	25	25	0	NEWYF.33	25	25	25	0	NEWYF.33	25	25	25	0	NEWYF.33	25	25	25	0
NEWYF.34	25	25	25	0	NEWYF.34	25	25	25	0	NEWYF.34	25	25	25	0	NEWYF.34	25	25	25	0	NEWYF.34	25	25	25	0
NEWYF.35	25	25	25	0	NEWYF.35	25	25	25	0	NEWYF.35	25	25	25	0	NEWYF.35	25	25	25	0	NEWYF.35	25	25	25	0
NEWYF.36	25	25	25	0	NEWYF.36	25	25	25	0	NEWYF.36	25	25	25	0	NEWYF.36	25	25	25	0	NEWYF.36	25	25	25	0
NEWYF.37	25	25	25	0	NEWYF.37	25	25	25	0	NEWYF.37	25	25	25	0	NEWYF.37	25	25	25	0	NEWYF.37	25	25	25	0

New York Stock Exchange Weekly Bond Sales

[illegible]

ATT 25482	94%	CVEI 6546	77%	FBer 25482	94%	IndelB 8711	91%	NYT1 8513	90%	Roch 11496	95%	Austria 7696	98%	Austria 7461	96
ATT 25483	94%	CVEI 6547	77%	FBer 25483	94%	IndelB 8712	91%	NYT1 8514	90%	Roch 11497	95%	Austria 7697	98%	Austria 7462	96
ATT 25484	94%	CVEI 6548	77%	FBer 25484	94%	IndelB 8713	91%	NYT1 8515	90%	Roch 11498	95%	Austria 7698	98%	Mexico 7463	97
ATT 25485	94%	CVEI 6549	77%	FBer 25485	94%	IndelB 8714	91%	NYT1 8516	90%	Roch 11499	95%	Austria 7699	98%	Austria 7464	97
ATT 25486	94%	CVEI 6550	77%	FBer 25486	94%	IndelB 8715	91%	NYT1 8517	90%	Roch 11500	95%	Austria 7700	98%	Austria 7465	97
ATT 25487	94%	CVEI 6551	77%	FBer 25487	94%	IndelB 8716	91%	NYT1 8518	90%	Roch 11501	95%	Austria 7701	98%	Austria 7466	97
ATT 25488	94%	CVEI 6552	77%	FBer 25488	94%	IndelB 8717	91%	NYT1 8519	90%	Roch 11502	95%	Austria 7702	98%	Austria 7467	97
ATT 25489	94%	CVEI 6553	77%	FBer 25489	94%	IndelB 8718	91%	NYT1 8520	90%	Roch 11503	95%	Austria 7703	98%	Austria 7468	97
ATT 25490	94%	CVEI 6554	77%	FBer 25490	94%	IndelB 8719	91%	NYT1 8521	90%	Roch 11504	95%	Austria 7704	98%	Austria 7469	97
ATT 25491	94%	CVEI 6555	77%	FBer 25491	94%	IndelB 8720	91%	NYT1 8522	90%	Roch 11505	95%	Austria 7705	98%	Austria 7470	97
ATT 25492	94%	CVEI 6556	77%	FBer 25492	94%	IndelB 8721	91%	NYT1 8523	90%	Roch 11506	95%	Austria 7706	98%	Austria 7471	97
ATT 25493	94%	CVEI 6557	77%	FBer 25493	94%	IndelB 8722	91%	NYT1 8524	90%	Roch 11507	95%	Austria 7707	98%	Austria 7472	97
ATT 25494	94%	CVEI 6558	77%	FBer 25494	94%	IndelB 8723	91%	NYT1 8525	90%	Roch 11508	95%	Austria 7708	98%	Austria 7473	97
ATT 25495	94%	CVEI 6559	77%	FBer 25495	94%	IndelB 8724	91%	NYT1 8526	90%	Roch 11509	95%	Austria 7709	98%	Austria 7474	97
ATT 25496	94%	CVEI 6560	77%	FBer 25496	94%	IndelB 8725	91%	NYT1 8527	90%	Roch 11510	95%	Austria 7710	98%	Austria 7475	97
ATT 25497	94%	CVEI 6561	77%	FBer 25497	94%	IndelB 8726	91%	NYT1 8528	90%	Roch 11511	95%	Austria 7711	98%	Austria 7476	97
ATT 25498	94%	CVEI 6562	77%	FBer 25498	94%	IndelB 8727	91%	NYT1 8529	90%	Roch 11512	95%	Austria 7712	98%	Austria 7477	97
ATT 25499	94%	CVEI 6563	77%	FBer 25499	94%	IndelB 8728	91%	NYT1 8530	90%	Roch 11513	95%	Austria 7713	98%	Austria 7478	97
ATT 25500	94%	CVEI 6564	77%	FBer 25500	94%	IndelB 8729	91%	NYT1 8531	90%	Roch 11514	95%	Austria 7714	98%	Austria 7479	97
ATT 25501	94%	CVEI 6565	77%	FBer 25501	94%	IndelB 8730	91%	NYT1 8532	90%	Roch 11515	95%	Austria 7715	98%	Austria 7480	97
ATT 25502	94%	CVEI 6566	77%	FBer 25502	94%	IndelB 8731	91%	NYT1 8533	90%	Roch 11516	95%	Austria 7716	98%	Austria 7481	97
ATT 25503	94%	CVEI 6567	77%	FBer 25503	94%	IndelB 8732	91%	NYT1 8534	90%	Roch 11517	95%	Austria 7717	98%	Austria 7482	97
ATT 25504	94%	CVEI 6568	77%	FBer 25504	94%	IndelB 8733	91%	NYT1 8535	90%	Roch 11518	95%	Austria 7718	98%	Austria 7483	97
ATT 25505	94%	CVEI 6569	77%	FBer 25505	94%	IndelB 8734	91%	NYT1 8536	90%	Roch 11519	95%	Austria 7719	98%	Austria 7484	97
ATT 25506	94%	CVEI 6570	77%	FBer 25506	94%	IndelB 8735	91%	NYT1 8537	90%	Roch 11520	95%	Austria 7720	98%	Austria 7485	97
ATT 25507	94%	CVEI 6571	77%	FBer 25507	94%	IndelB 8736	91%	NYT1 8538	90%	Roch 11521</					

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Argentina Defeats Netherlands, 3-1, In Overtime of the World Cup Finals

Two Goals By Kempes Win Title

BUENOS AIRES, June 25 (AP) — Argentina beat the Netherlands, 3-1, here today in overtime of the championship of the World Cup soccer tournament.

It was only the third time in 11 World Cups that the championship had gone into overtime — two periods of 15 minutes each. In the first overtime, Argentina scored in the 14th minute to break the 1-1 tie.

Ten minutes later, Argentina scored again, by Daniel Bertoni, to secure the championship for the host country. It was the second successive World Cup in which the Netherlands lost in the final, having bowed to West Germany in 1974.

Early and Late Goals
The first goal in overtime was scored by striker Mario Kempes, who also got Argentina's first goal. It came in the 37th minute and enabled Argentina to lead, 1-0, at halftime. But Dirk Nanninga headed the Dutch equalizer in the 51st minute, forcing the overtime period.

Under the rules, the overtime periods were not sudden-death, where a goal ended the game. If the overtime failed to decide a champion, the two teams would have played the match Tuesday, but that never happened.

Overtime began quietly, with the Dutch playing controlled, possession soccer. The Argentine crowd in River Plate Stadium suddenly became restless when about 10 minutes into the overtime period, Bertoni won the ball on the left and flipped it to Kempes.

He ran through and, although his first shot was met by the Dutch goalie Jan Jongbloed, Kempes managed to push the ball over the top into the goal.

Protest by Argentina
The match began in anger when the entire Dutch team walked off before the kickoff because the Argentine captain, Daniel Passarella, had protested about the plaster cast



Johnny Rep of the Netherlands (right) heads the ball toward the Argentine goal yesterday.

on Dutch winger Rene Van de Kerkhof's right hand.

It continued to be rough. Fourteen minutes into the game, referee Sergio Gonella of Italy cautioned the Dutch captain, Ruud Krol, and before the half was over Argentina midfielder Osvaldo Ardiles also received a warning.

Both teams took a long time to settle down but the Netherlands, using the long high ball to dangerous effect, created most of the earlier chances.

Arie Haan, bursting down the left wing, created many chances for the Netherlands but once the Argentines settled down, they generally controlled the play with their quicker close passing moves and tight defense, which reduced the Dutch to a series of counters.

The first clear chance went to the Netherlands after 26 minutes when Johnny Rep blasted in a shot which goalkeeper Ubaldo Fillo flipped over in a wholly reflex action.

Then Passarella blasted a kick just wide before Kempes finished off a four-man movement in the 17th minute by bursting through the center to shoot under the diving Jongbloed.

The Netherlands should have equalized a minute after the interval. Rob Rensenbrink was left on his own close-in with only Fillo to beat but, as he did three times in the crucial second-round match against Brazil, Fillo dived to block the point-blank shot.

Brazil Gets Third Place Over Italy

BUENOS AIRES, June 25 (AP) — Brazil came from behind in the second half here yesterday to defeat Italy, 2-1, and take third place in the World Cup soccer tournament.

The three-time world champions, edged out for the finals on goal average by Argentina, came alive in the second half with two long shots by midfielders Nelinho and Dirceu. Italy had hopes of victory after the 38th minute when forward Franco Causi took a pass from striker Paulo Rossi and headed the ball softly into Brazil's net.

But the Brazilians put on the pressure after Causi scored his goal, and kept on the attack until halftime. Finally, at the 63rd minute, Nelinho tied the score on a shot from about 30 yards. Seven minutes later, Dirceu sent Brazil ahead.

Shot Was Deflected

Nelinho, a specialist in free kicks and distance shots, scored one of the more impressive goals from the right wing seen in this World Cup. He raced in and from about 30 yards delivered a cannonball that was deflected by an Italian forward, Roberto Betegga, into the net. The slight ricochet on the ball fooled goalie Dino Zoff.

Brazil increased the pressure by putting in as a substitute Kivelino, at age 22 the only survivor from the legendary Brazilian team that took the World Cup in 1970.

At the 70th minute he was instrumental in setting up Brazil's winning goal by hitting a precise pass to Mendonca, who stood at the edge of the penalty area, his back to the goal. Mendonca chested the ball to Dirceu, who took a shot at waist level that beat Zoff.

Italy tried desperately to tie the score and nearly succeeded a minute before the end when Betegga headed a ball just against the crossbar of the Brazilian goal.

Crowd for Italy

The match was watched by 77,000 mostly pro-Italian spectators at River Plate Stadium.

The Brazilians' comeback gave them what their coach, Claudio Coutinho, called "a moral victory" in the World Cup, which they ended undefeated.

The Italians were forced to reshuffle their midfield because of the suspensions, for two yellow cards each, of Romeo Benetti and Marco Tardelli.

The game was marked by fierce tackling from both sides. Nelinho and Batista, on the Brazilian side, and Claudio Gentile were handed the yellow card by referee Abraham Klein. Many others were fortunate not to have had similar assessments.



After exchanging shirts in the traditional display of sportsmanship, the Brazilian soccer team leaves the field in Buenos Aires. They beat Italy, 2-1, for third place in the World Cup.

New Brabham Car Is Banned

By Paul Treuthardt

PARIS, June 25 (AP) — The revolutionary British Brabham "vacuum cleaner" Grand Prix car has been banned from world championship races by the controlling body of world motor sport.

Niki Lauda swept to victory last Saturday in the Swedish Grand Prix in the first race for the new car, which uses a huge rear fan to suck air from under the car, giving it dramatically increased speed through corners.

Pierre Ugeux, president of the International Sporting Commission of the International Automobile Federation, said at a news conference here Friday that the car had been banned on safety grounds and that the committee known as the CSI, had not ruled on its legality.

Lauda was not stripped of his victory. Ugeux added that the committee had found the car's high cornering speeds increased the danger of acci-

dents on tracks designed to meet the current speeds. Drivers also complained about the Brabham "vacuum cleaner" sweeping up road debris and firing it out through the fan at following cars.

Out of Three Races

The ban was imposed until Aug. 1 — meaning the Brabham will be out of the French, British and West German races. A special commission is to examine the whole problem of aerodynamic devices on Grand Prix cars and report back Aug. 1, when the CSI will decide if it should modify the ban or continue it.

By a slim majority, the five CSI bureau members turned down a compromise proposal by the leading race teams that the Brabham be allowed to run until Aug. 1. The proposal said that by then, the teams and the CSI would work out a rule to make it illegal.

The ruling was the result of what

was reported to be a long, stormy meeting in London, before the CSI session, involving Bernie Ecclestone, the top Brabham executive, and other leading team owners, four of whom protested the Swedish victory.

The protest was based on a rule that said Grand Prix cars must not have movable aerodynamic devices. Ecclestone, president of the Formula One Constructors Organization, insists the basic function of the fan is to cool rear radiators. The others, led by Colin Chapman, the Lotus owner, said the basic effect was aerodynamic.

The Lotus cars had been unbeatable in the Belgian and Spanish races before the Brabham appeared. The Lotus uses body design to give a similar but lesser suction effect without fans.

The Brabham could not race without the fan, and the team will be compelled to use its earlier 1978 cars.



The Brabham car, with its fan, during the Swedish Grand Prix.

Indians Romp Over the Blue Jays, 12-3

CLEVELAND, June 25 (UPI) — Gary Alexander hit his first grand slam home run in the major leagues and Budie Bell and Jim Norris drove in three runs each last night to lead Cleveland's 12-3 triumph over the Toronto Blue Jays.

Alexander, who hit his first home run for the Indians Friday night,

capped a five-run fourth inning by sending a 1-0 pitch over the 390-foot mark in right-center field off reliever Mike Willis.

Bell's two-run triple was the big blow in a four-run Cleveland third off the Toronto starter and loser, Jim Clancy. 4-7, and Norris added an RBI single and two sacrifice flies. Cleveland started Mike Paxton was tagged for 13 hits but staggered to his fourth victory in eight decisions.

Red Sox 8, Orioles 3

At Boston, Luis Tiant, backed by two RBIs each from Butch Hobson and Rick Burleson, improved his record to 7-0 by pitching a seven-hitter to help first-place Baltimore in the AL East to 8½ games with an 8-3 victory.

Tigers 4, Yankees 3

At Detroit, Jason Thompson and Steve Kemp each drove in two runs to help Jim Slaton to his seventh victory as Detroit edged New York, 4-3. Detroit jumped on New York starter Ken Clay for three runs in the opening inning, one on a single by Thompson following a walk to Lou Whitaker and a single by Rusty Staub.

Royals 7, A's 5

At Kansas City, Pete LaCock homered and doubled to drive in four runs and Andy Hassler recorded his first victory of the season as Kansas City downed Oakland, 7-5. LaCock homered during a five-run first inning off Steve Renko (2-3). In the third, he tagged reliever Steve McCarty with an opposite-field double to left that scored Al Cowens.

Rangers 3, Angels 0

At Arlington, Texas, Jon Matlack pitched a three-hitter and Bob Thompson hit his first major league home run to lead Texas to a 3-0 victory over California. It was Matlack's 27th career shutout and first in the American League.

Brewers 5, Mariners 0

At Milwaukee, Jerry Augustitte pitched a three-hitter and Gorman Thomas and Larry Hise hit two-run homers, leading Milwaukee to a 5-0 victory over Seattle. Augustitte (8-8) gave up a two-out single to Bob Sison in the third inning and retired 17 of the first 18 batters.

White Sox 7, Twins 4

At Chicago, Claudell Washington drove in four runs with a home run and triple to pace Chicago to a 7-4 victory over Minnesota. Washington hit his second home run of the season after Alan Bannister walked to start a four-run sixth, which also in-

cluded Wayne Northen's third homer and a run-scoring triple by Eric Soderholm.

Pirates 7, Mets 4

In the National League, at New York, John Milner hit a grand slam home run in a five-run rally in the 12th inning that brought Pittsburgh a 7-4 victory over New York.

Dodgers 4, Reds 3

At Los Angeles, the Dodgers broke a tie with two runs in the sixth inning, one on a bases-loaded walk to Jerry Grote and the other on a grounder by Dave Lopes, and held on for a 4-3 victory over Cincinnati.

Giants 2, Braves 1

At San Francisco, Roger Metzger's two-run double with two outs in the sixth lifted the Giants and Jim Barr to a 2-1 victory over Atlanta. Barr (3-4) blanked Atlanta for five innings before the Braves broke a scoreless tie with a run in the sixth.

Phillies 6, Cubs 2

At Philadelphia, Mike Schmidt's

two-run first inning homer started Philadelphia toward a 6-2 victory over Chicago and a one-game lead over the second-place Cubs in the National League East. Larry Bowa singled with one out and Schmidt hit Ken Holtzman's first pitch for his 11th homer of the season.

Expos 2, Cardinals 0

At St. Louis, Woodie Fryman teamed with Darold Knowles and Mike Garman on a six-hitter and Ellis Valentine singled home the only run Montreal needed as it defeated St. Louis, 2-0. Fryman (3-5), in his second start for Montreal, pitched out of jams in the first and sixth innings.

Padres 6, Astros 5

At San Diego, Tucker Ashford's single to center scored Bill Almon from second base in the 10th inning, lifting San Diego to a 6-5 victory over Houston. Jerry Turner opened the 10th with a single to right and Almon lined a single off reliever Ken Forsch (2-3). Winning pitcher Rolfe Fingers (3-7), attempting to sacrifice, forced Turner at third before Ashford won it.

Friday: Phillies Sweep Cubs, Take First

PHILADELPHIA, June 25 (UPI) — The Philadelphia Phillies moved into first place in the National League East with an easy doubleheader sweep over the Chicago Cubs Friday night.

Mike Schmidt hit a two-run triple and Bake McBride singled home two runs to help the Phillies defeat the Cubs, 6-1, in the nightcap after the Phillies won the opener, 6-1, with the help of seventh-inning homers by Jerry Martin and Gary Maddox.

Jim Lonborg, 6-5, was the winner in the nightcap, as he combined with Tug McGraw on a six-hitter. Lonborg retired 15 batters in a row between the second and seventh. In the opener, Dick Ruthven, 3-7, gave up six hits in seven innings and McGraw finished up with two hitless innings.

Cardinals 8, Expos 4

At St. Louis, Jerry Morales, George Hendrick and Ted Simmons each drove in two runs and St. Louis scored five runs in the fifth to defeat Montreal, 8-4. Ellis Valentine and Andre Dawson hit homers for Montreal and Simmons hit one for the Cards.

Mets 3, Pirates 2

At New York, Tim Lincecum's two-out 11th-inning single scored John Stearns from third base to lift New York over Pittsburgh, 3-2. Dale Murray hurled two scoreless innings in relief to win the game and even his record at 3-3.

Padres 3, Astros 0

At San Diego, Gaylord Perry pitched a four-hitter for his 50th career shutout, tying him with Baltimore's Jim Palmer for the major-

league lead among active pitchers, as San Diego beat Houston, 3-0.

Dodgers 1, Reds 0

At Los Angeles, Steve Garvey's homer backed the three-hit pitching of Burt Hooton as Los Angeles defeated Cincinnati, 1-0. Hooton evened his record at 6-6 by outdueling Fred Norman, 8-4, with his first shutout and third complete game of the season.

Giants 9, Braves 0

At San Francisco, Vida Blue pitched a five-hitter for his 10th victory and Heity Cruz drove in four runs to pace San Francisco to victory over Atlanta, 9-0. Blue struck out seven for his second straight shutout.

Red Sox 5, Orioles 2

In the American League, at Boston, Bill Lee, who booted Boston last week to protest the trade of his friend, Bernie Carbo, stopped Baltimore on eight hits in pitching the Red Sox to a 5-2 victory, which gave them a 7½-game lead in the American League East. Carlton Fisk, Lee's hatchmate, provided the offensive support with a three-run homer in the first off Palmer.

Yankees 12, Tigers 3

At Detroit, Chris Chambliss hit a grand slam homer in the first inning and Roy White added a three-run homer in a seven-run sixth as New York defeated Detroit, 12-3. Sparky Lyle, in relief of Ed Figueroa, got the victory and Ed Wilcox took the loss.

Mariners 3, Brewers 0

At Milwaukee, Glenn Abbott pitched a four-hitter in helping Seattle defeat Milwaukee, 3-0. Ab-

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Cowboys Sign Four

DALLAS, June 25 (AP) — The Dallas Cowboys have signed four veterans to multi-year contracts, defensive end Harvey Martin, safety Cliff Harris and Randy Hughes and running back Doug Demmon. The terms of their contracts were not disclosed.

Borg Opens Wimbledon Play Today

By Barry Lorge

LONDON, June 25 (WP) — The 15 grass courts of the All England Lawn Tennis and Croquet Club, Wimbledon, are firm and ready. The Center Court is emerald green, sapphire and more slippery than the others after 50 weeks of tender care and no play — "a bit juicy," as the players who know it well say, ap-

proaching their first-round matches with surging adrenalin and a hint of apprehension.

It is time again for the tournament that is officially called "the Lawn Tennis Championships," and known throughout the tennis world simply as "Wimbledon."

Having celebrated its centennial last year with appropriate ceremony and a spate of memorable matches, the oldest and grandest of tennis championships gets down to accumulating a second century of lore tomorrow.

Borg, Connors Fancied

Bjorn Borg, the defending champion, and Jimmy Connors head the men's singles field of 128. They are seeded No. 1 and No. 2, and are favored by London bookmakers to meet in a rematch of last year's bruising, thrilling five-set final.

Borg, who has won 33 consecutive matches since his last defeat, in March, (excluding two defaults because of infected blisters), could become the first man since Rod Laver in 1967 to sweep the Italian, French, and Wimbledon titles in one summer.

More important, the 22-year-old Swede is seeking to become the first man since Fred Perry in 1934-35 to take the Wimbledon singles trophy three successive years.

Chris Evert, 23, is seeded No. 1 in the women's singles draw of 96, keen and eager after taking the first three months of the year off, her first "vacation" from tennis since she became a superstar at age 16.

Evert will be tested severely as she tries to recapture the title she won in 1974 and 1976. The women's entry is the strongest in several years, with Martina Navratilova, Evonne Goolagong, defending champion Virginia Wade and Billie Jean King expected in pose the toughest challenges.

Navratilova, 21, the Czechoslovak left-hander who now lives in Dallas, dominated the women's pro tour in Evert's absence last winter.

winning seven consecutive tournaments and 37 matches between January and March. Her nerves previously suffered in big tournaments, were reinforced by her triumph over Goolagong in the final of the Virginia Slims championships at Oakland in April. The most important victory of her career did wonders for her self-esteem.

King, 34, has lost three times in a row this year to her former "pigeon," Navratilova, and has won only 19 games in six consecutive losses to Evert the last two years, but King is the dominant Wimbledon player of the postwar era. The Center Court, her most beloved stage, is capable of inspiring her to unforgettable performances.

King also still is seeking the all-time career record for Wimbledon titles in singles, doubles and mixed doubles. In 1975 she tied the record of 19 held by Elizabeth Ryan, who won 12 women's doubles and 7 mixed titles between 1914 and 1934.

King, winner of the singles six times between 1966 and 1975, is likely to seize title No. 20 this year — if not in singles, then in doubles with Navratilova or in the mixed with Ray Ruffels.

Prestige Over Purses

At Wimbledon, almost uniquely in the high finance world of pro tennis today, titles are valued more than the \$400,000-plus prize money. "I think of the Center Court at Wimbledon as a religious person ought think of a cathedral," John

Newcombe, the champion of 1967-70-71 and the No. 16 seed this year, has said.

Tomorrow at "2 p.m., precisely" — the customary starting time each afternoon at Wimbledon, where tradition and clockwork efficiency are revered — Borg will open the Center Court program against Victor Amaya, a 6-foot-7, 220-pound left-hander.

"I don't see why Borg can't win his third title in a row," says Perry, who insists it would be "a good thing for the game" if his 41-year-old achievement is matched. "I think the only man he has to worry about is Connors."

A Look Ahead

If form were to hold true to the seedings, the men's pairings in the round of 16 next Saturday would shape up like this: Borg (No. 1) vs. Buster Mottram (12), Sandy Meyer (8) vs. Wojtek Fibak (13), Guillermo Vilas (4) vs. Arthur Ashe (15), Roscoe Tanner (6) vs. Ilie Nastase (9), Brian Gottfried (5) vs. John McEnroe (11), Vitas Gerulaitis (3) vs. Dick Stockton (10), Raul Ramirez (7) vs. Newcombe (16), and Connors (2) vs. John Alexander (14).

The women's draw at the same stage would find Evert (1) vs. Kerry Reid (10), King (5) vs. Sue Barker (14), Wade (4) vs. Maria Redondo (16), Wendy Turnbull (7) vs. Mima Jausovec (12), Stove (6) vs. Virginia Ruzici (13), Goolagong (3) vs. Regina Marsikova (15), Dianne Fromholtz (8) vs. Marise Kruger (11), and Navratilova (2) vs. Tracy Austin.

Lopez Far Behind in Golf

HERSHEY, Pa., June 25 (AP) — Nancy Lopez was faltering badly this weekend in her bid to become the first professional woman golfer ever to win six straight Ladies Professional Golf Association tournaments.

Dogged by writers and photographers but still wearing a grin, Lopez turned in a 38-36-74 yesterday in the Lady Keystone Open here, to put her three strokes over par and eight strokes behind the leaders after two days of play. She shot a 1-over-par 73 Friday in the 6,398-yard course.

Tied for the lead, with totals of

139, are Pat Bradley and Jane Blalock.

"I'm not giving up. I have tomorrow," Lopez said after turning in her scorecard. "I may be out of it now, but I could come close tomorrow."

"I'm not playing as well as I was a couple of weeks ago, but I'm not going to let it bother me because I know the reason — I'm tired."

The 21-year-old Lopez has been mobbed by writers, photographers and autograph seekers all week. When she teed off at No. 1, admirers stood twelve deep.

Major League Standings

AMERICAN LEAGUE	W	L	Pct.	GB
Boston	21	21	.500	—
New York	20	22	.476	1.0
Baltimore	19	23	.452	2.0
Philadelphia	18	24	.432	3.0
Chicago	17	25	.400	4.0
Cleveland	16	26	.380	5.0
Seattle	15	27	.357	6.0
West	14	28	.333	7.0
Kansas City	13	29	.310	8.0
Minnesota	12	30	.286	9.0
California	11	31	.261	10.0
Los Angeles	10	32	.238	11.0
Pittsburgh	9	33	.217	12.0
St. Louis	8	34	.190	13.0
San Francisco	7	35	.167	14.0
Atlanta	6	36	.143	15.0
San Diego	5	37	.119	16.0
Houston	4	38	.095	17.0
Indianapolis	3	39	.071	18.0
Washington	2	40	.048	19.0
Montreal	1	41	.024	20.0
Philadelphia	0	42	.000	21.0
NATIONAL LEAGUE	W	L	Pct.	GB
Philadelphia	21	21	.500	—
San Francisco	20	22	.476	1.0
Los Angeles	19	23	.452	2.0
San Diego	18	24	.432	3.0
St. Louis	17	25	.400	4.0
Chicago	16	26	.380	5.0
Cincinnati	15	27	.357	6.0
Atlanta	14	28	.333	7.0
Montreal	13	29	.310	8.0
San Diego	12	30	.286	9.0
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